



THE
UNITED STATES
**BUDGET
IN BRIEF**
FISCAL YEAR 1984

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

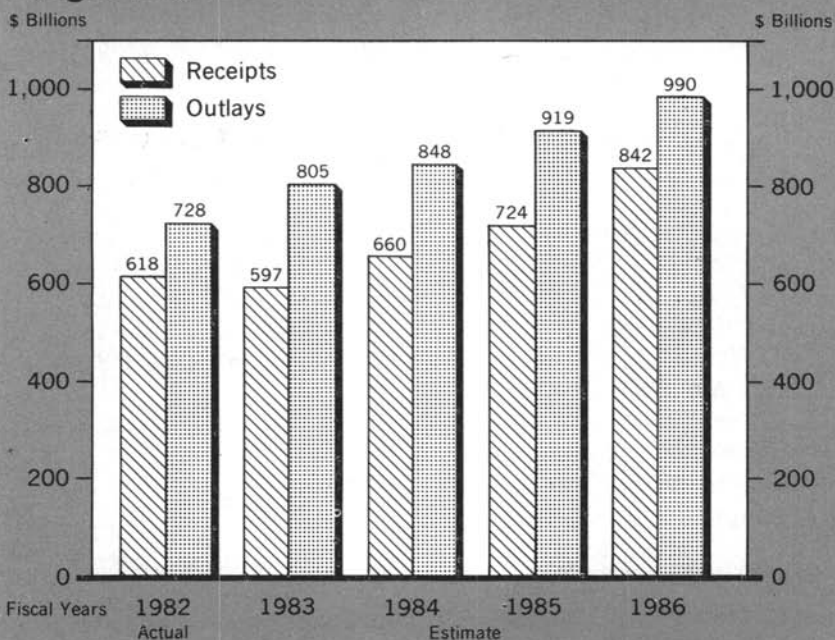
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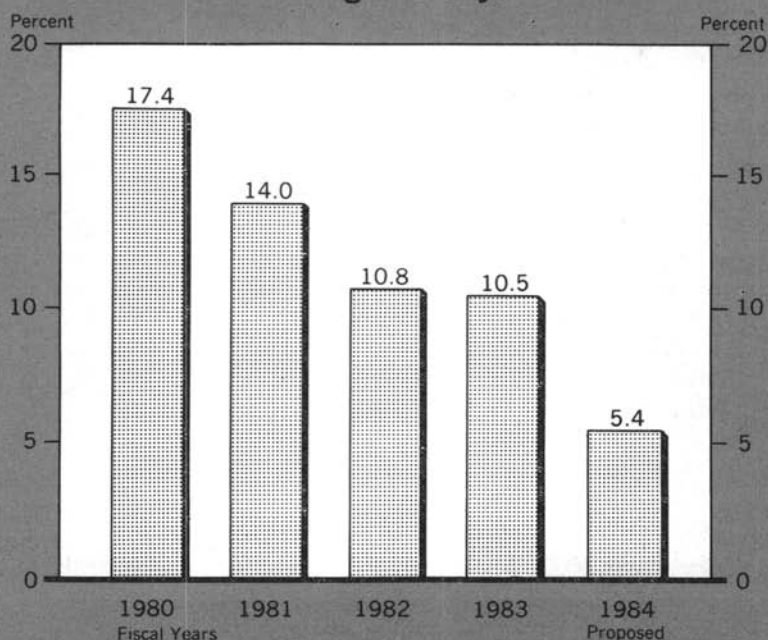
GENERAL NOTES

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



Percent Growth in Budget Outlays



FROM THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

Two years ago, in my first address to the country, I went before the American people to report on the condition of our economy, which had suffered from many years of seriously misguided policies. I made a strong commitment to change the traditional short-sighted view that had previously been taken on economic priorities so that we could achieve our goal of long-term prosperity. I stated that we had a massive job before us.

Government spending was taking a rapidly increasing share of national income, burdensome Government regulation had stunted productivity increases, and excessive tax rates combined with erratic monetary policy resulted in serious disincentives to investment and long-term real economic growth. Inflation was at double-digit levels. Interest rates were at record highs. Real growth and job creation had ceased. New investment, productivity, and personal saving were stagnant. Our economy was in the worst mess in half a century.

To make matters worse, our military strength had been allowed to run down relative to the aggressively expanding military might of the Soviet Union. We were in serious danger of becoming powerless to deter or counter Soviet aggression around the world.

The economic program that I proposed at that time focused on long-range real growth. My tax proposals were designed to provide badly needed private incentives to stimulate saving and productive investment. I supported the Federal Reserve in its pursuit of sound monetary policy. I worked with the Congress to reverse the growth of Government programs that had become too large or outlasted their usefulness. I worked to eliminate or simplify unnecessary or burdensome regulations.

The unprecedented buildup of inflationary forces in the 1970's, however, exacerbated in severity and duration the economic downturn of recent years. One of the key detrimental forces has been the growing Federal budget. Despite our success in reducing the rate of growth of nondefense spending in the last two budgets, spending in 1983 will exceed 1981 levels by 21%, reflecting continued increases

in basic entitlement programs, essential increases in defense spending, and rapid growth of interest costs.

Thus, the full effect of the changes we have made is taking time to develop. Over-reactive short-term remedies are not the answer. What is essential now is that we continue to work together to rebuild this country—without losing sight of the four fundamentals of our economic program:

- Limiting tax burdens to the minimum levels necessary to finance essential Government services, thus maintaining incentives for saving, investment, work effort, productivity, and economic growth.
- Reducing the growth of overall Federal spending by eliminating Federal activities that overstep the proper sphere of Federal Government responsibilities and by restraining the growth of spending for other Federal activities.
- Reducing the Federal regulatory burden in areas where the Federal Government intrudes unnecessarily into our private lives or interferes unnecessarily with the efficient conduct of private business or of State or local government.
- Supporting a moderate and steady monetary policy, to bring inflation under control.

TWO YEARS OF ACCOMPLISHMENT

Over the past 2 years, dramatic improvements have been made in the way the Government affects our economy. The Congress joined with my administration in a cooperative and politically courageous effort to reverse a decade of runaway growth in spending and tax burdens, proliferation of unnecessary regulations and red tape, and erosion of our military strength.

Both the Omnibus Reconciliation Acts of 1981 and 1982 effected fundamental reforms in numerous Federal programs, and demonstrated a greatly heightened level of maturity and responsibility of the congressional budget process that has come to fruition with the help and support of this administration. Although I am disappointed that many administration spending-reduction proposals did not pass last year—which has resulted in higher deficits—I believe that the revitalized congressional budget process signifies a refreshing willingness on the part of the Congress to work with my administration to address squarely the many crucial, complex, and politically difficult budgetary dilemmas before us. The results have been impressive:

- Where the growth rate of spending was almost out of control at 17.4% a year in 1980, it is now declining dramatically—to 10.5% this year, and, with this budget, to 5.4% next year—which is no more than the projected rate of inflation; in effect, a comprehensive freeze on total Federal spending.

- Where spending growth totaled \$220 billion from 1978 to 1981, a 48% increase, spending will rise by only 27% from 1981 to 1984, despite legislated cost-of-living adjustments and the needed defense buildup.
- For the first time since the Second World War, the Federal tax system has been fundamentally restructured. Income tax rates have been substantially reduced, greatly improving the climate for savings and investment. Excessive taxation of business income resulting from depreciation allowances rendered inadequate by inflation has been eliminated through depreciation reform. Tax loopholes have been closed, making the tax structure more equitable. Emphasis is shifting to financing programs through user fees commensurate with benefits and services provided.
- The excessive rates of growth of entitlement programs were curbed. Overly-broad eligibility criteria were tightened to limit benefit awards more to the truly needy, and eliminate or restrict unnecessary and costly payments of welfare-type benefits to those who are relatively well off and are, or ought to be, self-supporting. Overly-generous and unnecessarily frequent cost-of-living adjustments were pared back. Nonetheless, the growth of these programs has proven difficult to control and continues to be the primary cause of higher deficits.
- Limitation of Federal credit activity and off-budget spending is being achieved.
- The burgeoning growth of Federal regulations and red tape has been capped. The number of proposed new regulations has been reduced by one-third in the past 2 years. Unnecessary costs of Federal regulation to individuals, businesses, and State and local governments have been reduced by \$6 billion in annual expenditures and \$9 to \$11 billion in capital costs. By the end of 1983, the time our citizens spend filling our Federal forms and reports will have been cut by over 300 million hours annually.
- Improvements in the management of Federal operations, such as better procedures for the collection of debts owed the Government and better cash-management practices, are being carried out. These improvements have helped reduce waste, fraud, and abuse in Government programs.
- And by the end of the 1982 fiscal year, the Federal nondefense workforce had been reduced by 91,300 employees since I took office.

During the past 2 years, we have also taken decisive measures to increase our military strength. At the same time, diplomatic approaches to increase our national security, such as arms reduction talks, have been vigorously pursued.

The improvement in our defense posture includes all of its major elements. Long-overdue modernization of our strategic forces is proceeding with new bomber-, submarine-, and land-based missile programs. Our conventional forces are also being modernized and strengthened, with new ships, tanks, and aircraft. Above all, successful recruiting and retention over the past 18 months have resulted in all of our armed services being more fully manned with capable, high-caliber men and women. The All Volunteer Force is now working well.

By any standards, these are accomplishments to be proud of. And I am proud of them. We have come far in restoring order to the chaos prevailing in our economy and Government affairs just 2 years ago.

This is not to say that we do not still face great problems such as excessive unemployment, slower than desired economic growth, and high deficits. During the past 2 years our Nation has labored to purge itself of the inflationary disease that for nearly two decades had progressively undermined the economy's ability to generate growth, capital formation, worker productivity incentives, and financial stability. Those inflationary fevers have largely subsided in the aftermath of my decision 2 years ago to redirect economic policy toward a more modest size and scope for the Federal Government, a series of tax rate reductions to reward productive investment and work effort, and a restrained monetary policy to sustain the purchasing power of individual savings and income.

Accompanying the marked progress in unwinding the damaging inflation spiral that plagued our Nation for so many years, financial markets in 1982 experienced their first sustained improvement in more than 5 years. Interest rates throughout the maturity spectrum declined substantially, and by yearend we can proudly report that key rates for home mortgages, consumer loans, and business investment were able to sustain their lower levels, indicating new confidence in administration policies and bringing much needed relief to the housing and auto industries, the farm community, and the export sector.

Inflationary pressures of the sort experienced during the past two decades extracted a heavy toll from our economy. We have learned that the problems we inherited were far worse than most inside and out of Government had expected; the recession was deeper and longer than most inside and out of Government had predicted. Curing those problems has taken more time and a higher toll than any of us wanted. Unemployment is far too high.

Fortunately, the long nightmare of runaway inflation is now behind us. Slowly, but steadily and unmistakably, our national economy is completing the transition from recession to recovery. The interaction of lower tax rates, reduced inflation, and falling interest rates has placed the consumer and the producer in a much

strengthened position with respect to balance sheets, liquidity, after-tax income, and purchasing power.

There are numerous signs that the battered, sputtering inflation-warped economy that we found 2 years ago is on the mend, and that the dislocation and hardship we have suffered in the interim will prove to be a corrective interlude on the path of sustained recovery. But our confidence must also be tempered by realism and patience. Quick fixes and artificial stimulants, repeatedly applied over decades, are what brought on the inflationary disorders that we have now paid such a heavy price to cure.

In part as a result of the difficult period of disinflation, during the past year and one-half our projections of the Federal deficit have steadily risen. They have now reached very high levels, creating uncertainty in the financial markets and threatening to block the economic recovery ahead of us.

But before we consider what is to be done, we must review how we got here. And the truth is that as in the case of the social security fund, the looming gaps in our national budget are the consequence of both the inflation that got out of hand and the correctives that have been unavoidably applied to cure it.

During the 1970's, the share of our national income devoted to domestic programs and transfer payments soared by more than 50%—from 10 cents to 16 cents on every dollar produced by the American people. For a brief time, it appeared that we could afford all of this generosity because inflation badly misled us.

As inflation reached higher and higher peaks, the Treasury's coffers swelled from its take on inflated incomes and the upward creep of tax rates. For a time, we even financed our trillion dollar national debt on the cheap with interest rates that had not yet caught up with the spiraling inflation. Meanwhile, defense spending grew at less than 60% of inflation, making room in the budget for extra domestic programs. The real purchasing power available to maintain our readiness, modernize our weapons, and maintain strategic nuclear safety declined by a startling 20%.

But it couldn't last—and it didn't. Today the Federal budget itself has become a major victim of the economic transition:

- The inflationary revenue windfall has dried up.
- Our staggering national debt until recently was being financed at the highest interest rates in peacetime history.
- The undelayable process of restoring our inflation-eroded military budgets and our decayed military strength has further strained our resources.
- Despite our great strides in reducing the spending growth over the last 2 years, the vast edifice of domestic programs remains significantly in place.

The social security system has also been a victim of our economic ills. As a result, for too long the specter of social security insolvency

cy has haunted our Nation's elderly citizens and threatened to rupture the lifeline on which 36 million retired and disabled Americans depend. But however obvious the threat of insolvency, one thing is certain: social security cannot and will not be allowed to fail the 36 million Americans who depend on it. With this commitment in mind, it is especially pleasing to me to join with the Speaker of the House and the Senate Majority Leader in urging the Congress to enact the bipartisan compromise plan developed by the National Commission on Social Security Reform.

There are elements in it that none of us prefers, but taken together it forms a package all of us can support. It asks for some sacrifice by all—the self-employed, beneficiaries, workers, new government employees, and the better-off among the retired—but it imposes an undue burden on none. And, in supporting it, we keep an important pledge to the American people: the integrity of the social security system will be preserved—and no one's payments will be reduced.

TOWARD ECONOMIC RECOVERY

To enhance prospects for sustained economic recovery and lower unemployment, I am proposing a sweeping set of fiscal policy changes designed to reduce substantially the mounting Federal deficits that threaten the renewal of economic growth. My plan is based on these principles:

It must be bipartisan. Overcoming the deficits and putting the Government's house in order will require the best efforts of all of us.

It must be fair. Just as all will share in the benefits that will come from recovery, all should share fairly in the burden of transition.

It must be prudent. The strength of our national defense must be restored so that we can pursue prosperity in peace and freedom, while maintaining our commitment to the truly needy.

Finally, it must be realistic. We cannot rely on hope alone.

THE BUDGET TOTALS

(In billions of dollars)

	1982 actual	1983 estimate	1984 estimate	1985 estimate	1986 estimate
Budget receipts.....	617.8	597.5	659.7	724.3	841.9
Budget outlays.....	728.4	805.2	848.5	918.5	989.6
Surplus or deficit (—)	—110.6	—207.7	—188.8	—194.2	—147.7
Budget authority.....	779.9	847.4	900.1	997.4	1,079.6

With these guiding principles in mind, let me outline a four-part plan to increase economic growth and reduce deficits.

First, I am recommending a Federal spending freeze. I know this is strong medicine, but so far we have cut only the rate of increase in Federal spending. The Government has continued to spend more money each year, though not as much more as it did in the past. Taken as a whole, the budget I am proposing for the next fiscal year will increase no more than the rate of inflation—in other words, the Federal Government will hold the line on real spending. That is far less than many American families have had to do in these difficult times.

I will request that the proposed 6-month freeze in cost-of-living adjustments recommended by the bipartisan National Commission on Social Security Reform be applied to other Government benefit programs. I will also propose a 1-year freeze on a broad range of domestic spending programs, and for Federal civilian and military pay and pension programs.

Second, I will ask the Congress to adopt specific measures to control the growth of the so-called "uncontrollable" spending programs. These are the automatic spending programs, such as food stamps, that cannot be simply frozen—and that have grown by over 400% since 1970. They are the largest single cause of the built-in or "structural" deficit problem. Our standard here will be fairness—ensuring that the taxpayers' hard-earned dollars go only to the truly needy; that none of them is turned away; but that fraud and waste are stamped out. And, I am sorry to say, there is a lot of it out there. In the food stamp program alone, last year we identified almost \$1.1 billion in overpayments. The taxpayers are not the only victims of this kind of abuse; the truly needy suffer, as funds intended for them are taken by the greedy. For everyone's sake, we must put an end to such waste and corruption.

Third, I will adjust our program to restore America's defenses by proposing \$55 billion in defense savings over the next 5 years. These are savings recommended to me by the Secretary of Defense, who has assured me they can be safely achieved and will not diminish our ability to negotiate arms reductions or endanger America's security. We will not gamble with our national survival. As a percent of GNP, the level I am requesting for defense spending in 1984 is less than the United States spent during the decade of the 1960's. As a percent of the total Federal budget it is far less than was allocated for national defense in those years. We are 2 years into the program to re-arm America. Sustaining the momentum of this program is essential if we are to avoid slipping back into the inefficient and counterproductive pattern of wildly fluctuating defense spending levels.

Fourth, because we must ensure reduction and eventual elimination of deficits over the next several years, I will propose a stand-by tax limited to no more than 1% of the gross national product to start in fiscal year 1986. It would last no more than 3 years and would start only if the Congress has first approved our spending freeze and budget control program. You could say that this is an insurance policy for the future—a remedy that will be at hand if needed, but resorted to only if absolutely necessary.

In the meantime, we will continue to study ways to simplify the tax code and make it more fair for all Americans. This is a goal that every American who has ever struggled with a tax form can understand.

At the same time, however, I will oppose any efforts to undo the basic tax reforms we have already enacted—including the 10% tax break coming to taxpayers this July and the tax indexing that will protect all Americans from inflationary bracket creep in the years ahead.

Impact of Stronger Economic Growth

- If the recovery of real GNP growth over the next 2 fiscal years is *about 1%* above our cautious projections, the deficit estimates would improve by an average of about \$20 billion per year, and would result in lower deficits as follows:

	1984	1985	1986	1987	1988
Deficit (—) (\$ billions)	—177	—177	—127	—119	—90

- An average real GNP growth rate *1.33%* higher each year over the next 6 years, compared to the prudent projections made in the 1984 budget, would result in a balanced budget by 1988. This is a “high growth” scenario but within the range of previous historical experience. My administration remains committed to the goal of a balanced budget and will propose additional policy actions, as needed, to achieve it.

This plan is urgently needed and is geared toward solving the problems of the growing deficits. But it naturally requires the cooperation of both branches of Government, both Houses, and both parties. Thus, our plan is aimed at bridging the institutional, philosophical, and political differences that separate us—which are

not as important as the overriding common objective of economic recovery and sustained prosperity for America.

After 2 years of reducing much of the overspending, we have now reached the bone in many places—programs where we will not propose further reductions. My administration will now work with the Congress in an effort to accommodate those special concerns of the legislative branch that have caused unnecessary strains in the past.

Thus, we will propose \$3 billion more for education programs than was proposed last year, and almost \$2 billion more for employment and training. Proposals for new rescissions of already-enacted budget authority will be held to an absolute minimum.

This budget process must be a two-way street, for the problem of large deficits is very real. Even when all reasonable measures are applied to the vast detail of the budget, the resulting deficits are large and progress toward reducing them slow. The political risks entailed in these deficit-containment measures are considerable. But the risk of doing nothing at all due to partisanship or legislative stalemate is much greater. I therefore urge the Congress to join with my administration behind this common-sense strategy.

MEETING—AND RESHAPING—FEDERAL RESPONSIBILITIES

My administration seeks to limit the size, intrusiveness, and cost of Federal activities as much as possible, and to achieve the needed increase in our defense capabilities in the most cost-effective manner possible. This does not mean that appropriate Federal responsibilities are being abandoned, neglected, or inadequately supported. Instead, ways are being found to streamline Federal activity, to limit it to those areas and responsibilities that are truly Federal in nature; to ensure that these appropriate Federal responsibilities are performed in the most cost-effective and efficient manner; and to aid State and local governments in carrying out their appropriate public responsibilities in a similarly cost-effective manner. The Nation must ask for no more publicly-provided services and benefits than the private sector can reasonably be asked to finance. [Specific proposals in program areas are discussed in more detail in Part III.]

IMPROVING THE EFFICIENCY OF GOVERNMENT

The proposed freeze on program funding levels will compel program managers in every agency of the Government to find more efficient ways of carrying out their programs. For too long, costs of Federal operations have been mounting unchecked. Good management has not always been a priority of the executive branch. I have been correcting that situation.

My administration has redirected programs to improve their efficiency and to achieve cost savings Government-wide. My administration is committed to improving management and reducing fraud, waste, and abuse. The President's Council on Integrity and Efficiency (PCIE), made up of 18 Inspectors General, reported that almost \$17 billion has been saved or put to better use in the past 2 years.

But the Government can go only so far with the seriously outdated and inefficient management/administrative systems that are currently in place. One-third of our large-scale computers, for example, are more than 10 years old. A comprehensive management improvement program was needed, so "Reform '88" was initiated. We intend to upgrade and modernize our administrative systems to make them more effective and efficient in carrying out the Government's business and serving the public.

We are already saving tax dollars by managing our almost \$2 trillion yearly cash flow more effectively, collecting the Government's \$250 billion of just debts, cutting Government administrative costs, modernizing Federal procurement systems, reducing internal regulations, controlling our office space and equipment more prudently, and streamlining the workforce in many departments and agencies. These cost-reduction efforts will continue.

CONTINUING REFORM OF OUR FEDERAL SYSTEM

The overall efficiency of Government in the United States can also be improved by a more rational sorting out of governmental responsibilities among the various levels of government—Federal, State, and local—in our Federal system, and eliminating or limiting overlapping and duplication.

In 1981, the Congress responded to my proposals by consolidating 57 categorical programs into 9 block grants. In 1982, block grants were created for job training in the Jobs Training Partnership Act, and for urban mass transit in the Surface Transportation Act. The initiatives to be proposed this year will expand on these accomplishments.

Four new block grants will be proposed, with assured funding for major functions now addressed through categorical grants:

- A general Federal-State block grant covering approximately 15 categorical programs.
- A Federal-local block grant that would include the entitlement portion of the community development grant program and the general revenue sharing program.
- A transportation block grant.
- A rural housing block grant.

Through the President's Task Force on Regulatory Relief and the regulatory review process, the administration is eliminating and simplifying regulations affecting State and local governments that are burdensome, unnecessary, and counter-productive. These changes have improved local efficiency and accountability and reduced program costs. Twenty-five reviews were completed during the past 2 years by either the Task Force or by various Federal agencies. Available data indicate that regulatory relief actions will save State and local governments approximately \$4 to \$6 billion in initial costs, and an estimated \$2 billion on an annual basis. My administration is also simplifying selected, generally applicable crosscutting requirements that are imposed on State and local governments as a condition of accepting financial assistance.

CONCLUSION

The stage is set; a recovery to vigorous, sustainable, noninflationary economic growth is imminent. But given the underlying deterioration in the overall budget structure that has occurred over the past 2 years, only the most sweeping set of fiscal policy changes could help to reverse the trend and set the budget on a path that is consistent with long-term economic recovery.

If the challenge before us is great, so, too, are the opportunities. Let us work together to meet the challenge. If we fail, if we work at cross purposes, posterity will not forgive us for allowing this opportunity to slip away.

RONALD W. REAGAN.

JANUARY 31, 1983.

Part I

ECONOMIC ASSUMPTIONS AND THE BUDGET OUTLOOK

This section discusses the budget outlook and the economic assumptions that form the basis for that outlook. The first part presents economic assumptions for calendar years 1983 through 1988. The second part discusses several aspects of the budget outlook.

Economic Assumptions

The economy and the budget are interrelated. Economic conditions significantly affect the budget, and the budget, in turn, influences economic conditions. 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) while the budget estimates are for fiscal years.

The economic landscape in 1982 was dominated by widespread and rapid progress in unwinding the inflation spiral built up during the past decade, as well as by the first sustained improvement in financial market conditions in more than 5 years. This rapid abatement of inflation, however, was accompanied by an economic recession of greater amplitude and duration than virtually any forecast anticipated a year ago.

Looking back on economic forecasts published by the administration, the Congressional Budget Office, and the Blue Chip Indicators (an average of 43 private sector forecasts) in early 1982, to a remarkable extent these projections were in agreement. But it turned out that these Government and non-Government projections were substantially wide of the mark in every key area.

The consensus projected real GNP, in constant 1972 dollars, to rise from the fourth quarter of 1981 to the fourth quarter of 1982 by 3.0%, with a strong second-half showing, but actual output declined by 1.2%. The projected 7.2% rise in the GNP implicit

price deflator was much larger than the actual increase of only 4.6%. Nominal GNP increased by a meager 3.3%, but the consensus forecast anticipated a more robust 10.4%. The unemployment rate by yearend 1982 was projected in a range of 8.1% to 8.8%, but the average rate for the fourth quarter turned out to be 10.7%. Finally, the 91-day Treasury bill rate was expected to average around 11-1/2% in last year's fourth quarter, but the actual rate was 7.9%.

Most signs point toward recovery during the first half of 1983, with greater momentum for economic growth developing during the year's second half. From the fourth quarter of 1982 to the fourth quarter of 1983, real output is expected to rise by 3.1%, while nominal GNP is projected to increase by 8.8%. Both inflation and interest rates are expected to consolidate the progress that occurred in 1982. The rate of unemployment is projected to trend downward during the year's second half, but for the year as a whole the unemployment rate is projected to average 10.7%.

SHORT-RANGE ECONOMIC FORECAST

(Calendar years; dollar amounts in billions)

Item	Actual 1981	Forecast		
		1982 ¹	1983	1984
Gross national product:				
Current dollars:				
Amount	2,938	3,058	3,262	3,566
Percent change: Fourth quarter over fourth quarter	9.6	3.3	8.8	9.2
Constant (1972) dollars:				
Amount	1,503	1,476	1,496	1,555
Percent change: Fourth quarter over fourth quarter	0.7	-1.2	3.1	4.0
Incomes (current dollars):				
Personal income	2,416	2,570	2,727	2,935
Wages and salaries	1,494	1,560	1,640	1,780
Corporate profits	232	175	177	206
Price level (percent change fourth quarter over fourth quarter):				
GNP deflator	8.9	4.6	5.6	5.0
Consumer Price Index ²	9.4	4.4	5.0	4.4
Unemployment rates (percent):				
Total: Fourth quarter ³	8.1	10.5	10.4	9.5
Insured, annual average ⁴	3.5	4.7	5.3	4.7
Federal pay raise, October (percent) ⁵	4.8	4.0		6.1
Interest rate, 91-day Treasury bills (percent) ⁶	14.1	10.7	8.0	7.9

¹ Preliminary actual data.

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. The figures in this table reflect the actual CPI for December 1982, released January 21, 1983, which was 0.7% lower than had been projected; consequently, the cost-of-living adjustments estimated in the budget are higher than the actual adjustments will be.

³ Percent of total labor force, including armed forces stationed in the U.S.

⁴ This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

⁵ General schedule pay raises become effective in October—the first month of the fiscal year. Thus, the October 1984 pay raise will set new pay scales that will be in effect during fiscal year 1985. The October 1981 pay raise for military personnel was 14.3%.

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

In contrast to the short-range forecast for 1983, the longer-range assumptions for the 1984-1988 period are not intended as precise forecasts of future economic conditions. Instead, they are trend projections, consistent with the economic policy objectives of the administration, that assume steady progress in reducing unemployment, inflation, and interest rates, and in sustaining strong real growth during the outyears.

Although the growth of real output, productivity, and plant and equipment investment has fallen below trend in recent years, it is assumed that policies favoring budget restraint, capital formation incentives, and a sustained fight against inflation are consistent with a real output growth rate of 4% during the 1984-1988 period.

Consistent with this trend growth of real output, the unemployment rate is expected to fall gradually to a calendar year average of 6.5% by 1988. Underscoring the commitment to a sustained inflation reduction and a moderate rate of monetary expansion, the growth of nominal GNP is estimated to decline gradually from 9.2% in 1984 to 8.6% in 1988. This moderate rate contrasts with the inflationary 11.2% growth of nominal GNP during 1977-1981. The inflation rate during the outyear period is assumed to range between 4.5% and 5.0%. Interest rates are also projected to decline.

LONG-RANGE ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

Item	Assumptions			
	1985	1986	1987	1988
Gross national product:				
Current dollars:				
Amount	3,890	4,232	4,599	4,995
Percent change: Fourth quarter over fourth quarter	9.0	8.7	8.7	8.6
Constant (1972) dollars:				
Amount	1,617	1,682	1,749	1,819
Percent change: Fourth quarter over fourth quarter	4.0	4.0	4.0	4.0
Incomes (current dollars):				
Personal income	3,142	3,377	3,661	3,956
Wages and salaries	1,921	2,090	2,281	2,483
Corporate profits	246	296	316	329
Price level (percent change fourth quarter over fourth quarter):				
GNP deflator	4.8	4.5	4.5	4.4
Consumer Price Index ¹	4.7	4.5	4.5	4.4
Unemployment rates (percent):				
Total: Fourth quarter ²	8.5	7.8	7.0	6.2
Insured, annual average ³	4.2	3.8	3.5	3.2
Federal pay raise, October (percent) ⁴	6.0	5.7	5.6	5.5
Interest rate, 91-day Treasury bills (percent) ⁵	7.4	6.8	6.5	6.1

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. The manner in which this index measures housing costs will change significantly in 1985.

² Percent of total labor force, including armed forces stationed in the U.S.

³ This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

⁴ General schedule pay raises become effective in October—the first month of the fiscal year. Thus, the October 1985 pay raise will set new pay scales that will be in effect during fiscal year 1986.

⁵ Average rate on new issues within period, on a bank discount basis. These projections assume, by convention, that interest rates decline with the rate of inflation. They do not represent a forecast of interest rates.

No recovery factor is more important than the systematic reduction of inflation. A low and stable inflation rate during the years ahead will create the balance, efficiency, and equilibrium necessary to generate sustained economic recovery. The combined effects of economic policies aimed at budget restraint, a permanent lowering of tax rates, and a sustained reduction of inflation are creating a strong foundation for economic growth in the 1980's.

Budget Program and Trends

Without the determined and sweeping corrections embodied in the 1984 budget, the budgetary imbalance projected under current services assumptions would have become an insuperable barrier to non-inflationary economic recovery. The estimates¹ indicate that the long-standing "structural imbalance" in the budget has been reinforced by the combination of unanticipated economic and policy developments over the past 2 years.

The prolonged recession and rapid disinflation have once again dramatically reduced current law revenue projections. Estimated receipts of \$597.5 billion for 1983 are lower than actual receipts for 1981—meaning that even with the strong recovery assumed in the 5-year budget assumptions, revenues will be on a permanently lower path.

Meanwhile, Federal spending has risen steadily, despite the major reductions in nondefense spending growth that have been achieved over the past two budget cycles. Spending in 1983 will exceed 1981 levels by 21%, reflecting the steady buildup of defense outlays, the explosion of debt service costs, and the continued, largely unchecked rise in basic retirement and medical entitlement programs.

While the resulting \$225 billion total deficit for 1983 in part reflects temporary recession pressures on the budget, the gap between outlays and receipts has now become so large—7% of GNP—that it threatens to gain self-reinforcing momentum. The total deficit embodied in current law and policy would remain above 6% of GNP through the next 5 years, and would be \$315 billion even under assumed economic conditions of full employment in 1988.

This massive structural imbalance in the current services budget baseline under conditions of full employment poses the most serious challenge to fiscal policy in recent times.

¹ The "current services" concept provides a useful base against which budgetary alternatives may be assessed. The estimates reflect the effects of inflation on virtually all programs while assuming no changes in policy or enacted tax laws.

Sources of the structural deficit.—The large current services deficits projected for the outyears are not attributable to any single source but, instead, represent the effects of cumulative economic trends and fiscal policy decisions stretching over a decade.

The purely cyclical element of the deficit² peaks at \$71 billion or 2% of GNP in 1983 and steadily diminishes thereafter as the economy regains a full employment footing in the outyears.

The remaining deficit is "structural" and represents the long-developing policy imbalance that was embodied in the 1981 budget inherited by the present administration. The 1981 tax claim on GNP was at a historic high of 21% and rising due to the built-in escalation in the unindexed, progressive tax system. At that time, it was widely believed that tax structure changes designed to cap the long-term tax claim at 20% of GNP or less were essential to restore sustained economic growth.

At the same time, the overall 1981 spending claim was 23.6% of GNP, not including the 2-3 percentage point higher permanent claim on GNP that would be needed to restore the Nation's badly neglected and underfunded defense capabilities. Implicitly, then, existing and unfunded spending claims exceeded 25% of GNP. As thus measured, the implicit structural deficit that emerged from the misdirected trend of economic and fiscal policy over the decade of the 1970's was between 5% and 6% of GNP.

The inherited budgetary imbalance.—By standards of western industrial democracies, the United States was relatively late in developing a full-blown social insurance system of retirement income for the aged, disability protection for workers, and medical care for the elderly and poor. As recently as 1966, Great Britain devoted 1-1/2 times and West Germany 2-1/2 times the share of GNP for these purposes as did the United States.

Over the last two decades, however, the social insurance system of the early 1960's has been expanded into a vast social contract upon which 54 million Americans depend for basic retirement and disability income and health care services. In 1981 these commitments absorbed almost 7% of GNP—2.5 times their 1963 claim on national income.

² One way of examining the deficit is to divide it into two components: "cyclical" and "structural." The cyclical component of the deficit arises from business cycle fluctuations; when the economy operates at less than full employment, budget receipts are lower than would otherwise be expected (as individuals and corporations pay less taxes) and outlays—mostly for unemployment compensation—are increased. The structural deficit is the remainder of the actual deficit—the deficit that would continue to exist even if the economy were operating at a high level of employment.

This vast expansion was not planned, nor was it grounded in an over-arching policy blueprint. Instead, it is the product of incremental entitlement extensions enacted over two decades with bipartisan support. Today the social contract:

- provides income and medical care protection for 54 million elderly and lower-income citizens compared to 19 million in 1963;
- provides average Federal benefits per couple of \$10,000 per year compared to \$6,500 in 1963 (constant dollars); and
- finances average annual health care expenditures ranging between \$1,700 and \$2,200 per beneficiary under medicaid and medicare, respectively.

The historic record makes clear that the current financial burden of this extensive social contract was not originally anticipated. Medicare was initially projected to cost about 0.6% of GNP, but by 1982 this had increased to 1.7% of GNP. Similarly, the 20% increase in social security benefits enacted in 1972 was based on unrealistic assumptions. Furthermore, due to errors in the initial system for indexing wages and benefits instituted in 1975, social security replacement rates have climbed temporarily to almost 55% compared to the 33% norm on which the system had been based.

Thus, by 1981 the combined cost of the social contract and other entitlement programs had risen to about 10% of GNP—approximately two-thirds more than in 1971. This development posed serious long-range fiscal challenges that are only just now becoming apparent.

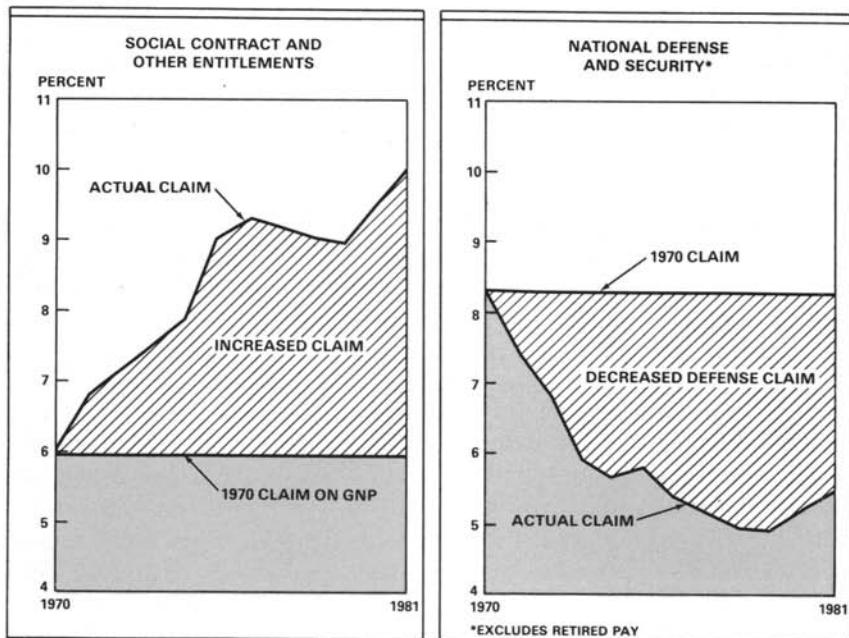
By definition, entitlement programs develop vast networks of dependency that cannot be altered precipitously without unacceptable social and human costs. As a consequence, their claim on the budget and national economy tends to become relatively permanent and can be reduced only slowly over long periods of time.

To appreciably affect the budget outlook after 1985, policy changes in the social contract and other entitlement programs needed to be implemented during the initial budget cycle after 1981. Significant shifts, before 1985, in budget priorities or reductions in overall spending claims on GNP would have had to occur largely in the remainder of the budget consisting of net interest, discretionary programs, and national defense.

During the 1970's there was a marked shift in the composition of the budget, as shown in the chart on the next page. Between 1970 and 1981, real defense and security spending declined by 19%, with its claim on GNP dropping from 8.3% to 5.5%.

To be sure, defense spending should be based on assessment of threats and the force structure and military capabilities required to support national security objectives rather than an arbitrary "share of GNP." Nevertheless, by the late 1970's it was clear that overall national defense capabilities had eroded badly over a

UNDERLYING FISCAL IMBALANCE



decade of unprecedented Soviet military expansion, and that the 1981 defense claim on GNP of 5.5% was wholly unsustainable if national security objectives were to be met.

The decline in defense spending had been almost fully absorbed by rising debt service costs, reflecting the deficit finance policies of the previous decade and a steady upward drift in discretionary spending for domestic health, social service, education, and energy programs. Since the base of social contract and entitlement spending had ratcheted sharply upward during the previous decade, the overall spending burden had increased from 20% to 23.6% of GNP.

Remedying the structural deficit in the inherited 1981 budget, therefore, involved an imposing task: significantly reducing aggregate spending claims on GNP, while increasing defense within a budget structure characterized by substantial inflexibility in its social contract and entitlement base.

When this administration took office, fiscal policy was at a dead end. Explicit domestic spending commitments and implicit national defense requirements vastly exceeded the capacity of the existing tax system to finance them. At the same time, public resistance to direct tax increases and the national economy's incapacity to absorb further doses of inflationary revenue generation left a growing unfunded budget gap that has not yet been closed.

The initial fiscal and economic policy plan of the administration was designed to break this impasse by means of a fundamental policy redirection.

Redirection of fiscal policy launched in 1981.—The administration's initial plan rested on four fundamental premises:

- The restoration of national defense capabilities could not be delayed because the decade-long deterioration in pay and readiness and the lag in both strategic and conventional modernization had reached an intolerable state.
- Only an immediate, rapid, and sustained expansion of GNP could overcome the inherited fiscal dilemma. The economy would grow faster than the budget, causing the aggregate spending claim to fall.
- The nondefense spending claim on GNP would fall dramatically in the near term in response to the sweeping spending cutback and budget reform proposals contained in the March 1981 budget revisions.
- The transitions from rising to falling inflation and from low real growth to rapid output expansion would occur immediately and simultaneously, and without intervening financial and economic disturbances. Consequently, the projected outlay claim on GNP attributable to cyclically sensitive expenditures—net interest and unemployment insurance—was projected to fall significantly from the 1981 level.

After 2 years of fiscal policy change and economic results, the current services budget projections vary substantially from the path envisioned in the original plan. Most of the variance between the planned path and the current outlook can be explained by seven significant variables.

Drastic shortfall of nominal GNP.—The March 1981 economic projections did not assume a deep or prolonged recession in response to moderate monetary restraint. Consequently, real GNP was projected to be *\$174 billion higher* by the fourth quarter of 1983 than it had been in the first quarter of 1981.

By contrast, current economic assumptions project that real GNP will not *regain* that actual 1981 level until the end of 1983—meaning that output will be 10% lower than originally projected. In effect, the severe disinflationary correction that has actually occurred has set the economy 2 years behind its originally anticipated recovery path.

Thus, the severe unanticipated recession of 1981-1982 and the projected modest recovery for 1983, in combination with the rapid fall in the inflation rate, have resulted in a dramatically lower nominal GNP path than projected in the original budget plan.

Nominal GNP is now estimated to be 12.5% or \$482 billion lower in the fourth quarter of 1983 than first assumed.

Moreover, current services outlay projections are now about 14.5% higher than originally planned. In combination, a significantly lower GNP base and substantially higher spending level place a far greater relative spending burden on the economy than originally planned.

Dramatic reduction in receipts due to lower GNP and deeper policy reductions.—The current law receipt path is now estimated to be \$529 billion lower over 1983-1986 than projected in March 1981. This reflects primarily the shrunk revenue yield from the far lower path of nominal income just described.

Cyclically sensitive outlays: Upward adjustment in GNP claim.—The original fiscal plan assumed a smooth shift between a stagnant, high-inflation economy and a non-inflationary high-growth economy. Outlays for unemployment insurance and debt service have increased by nearly \$234 billion over 1983-1986—largely due to the turbulent economic adjustment that has actually occurred—compared with outlay projections under the smooth transition originally assumed.

The social contract claim on GNP has continued to rise.—Despite some modest policy savings achieved in medicare and medicaid over the past two budget cycles and the phaseout of social security student benefits enacted in 1981, under current law the social contract claim on GNP will rise a full percentage point by 1988 compared to 1981.

In the May 1981 social security package and the February 1982 budget proposals, the administration did propose reforms that would have reduced social contract outlays by \$40 billion in 1987 or nearly 1% of GNP—thereby maintaining the 1981 claim at approximately a constant level. However, the social security package was not acted upon by the Congress and the medicare/medicaid reforms adopted in the 1982 reconciliation bill amounted to only about one-third of the proposed 1987 savings.

Given these and other policy constraints, the social contract base of the budget, which rose dramatically during 1962-1981, has proven to be not only "locked in" but a rising claim on GNP. Moreover, the failure to achieve any significant reforms of the cost-of-living adjustment mechanism or other aspects of the benefit structure in 1981 and 1982 means that the social contract has become an even larger constraint in the overall budget envelope than it was in 1981.

Major drop in nondefense discretionary spending claim.—The most significant changes in budget policy since 1981 have occurred in the discretionary spending sector. Estimated 1983 outlays of \$144 billion will be 9% lower than the \$158 billion spent in 1981—largely reflecting the major spending reductions, enacted in 1982, for energy, employment and training, education, and social service programs. While the Congress resisted a second round of discretionary spending cuts proposed for 1983, the alternate “freeze” policy adopted in the 1983 budget resolution has resulted in nominal spending levels drifting upward only slightly.

The claim of other entitlement spending has fallen.—Entitlements outside the social insurance system consist of two distinct groups: the means-tested programs such as aid to families with dependent children (AFDC), supplemental security income (SSI), food stamps, child nutrition and veterans pensions; and the Federal retirement/disability programs including civil service and military pensions and veterans disability compensation.

The rapid rise in the real cost of these programs experienced during the 1970's has come to a halt. After having more than doubled in real terms from 1970 to 1981, constant dollar costs under current law are expected to remain virtually unchanged between 1981 and 1988.

The major source of this slowdown is in means-tested programs. Constant dollar outlays will fall 2.5% per year over 1981-1988 compared to an increase of 7.4% during the 1970's.

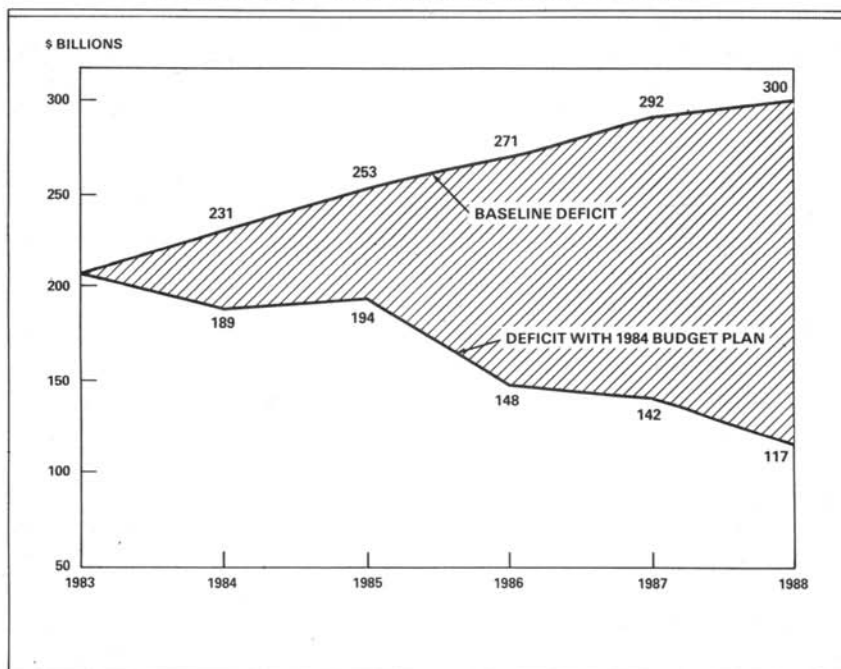
This marked reversal of trend reflects in part the slowdown in caseload growth for all programs, and an actual decline in the case of veterans pensions. But the primary cause is that the continuous legislative liberalization and entitlement expansions that characterized policy in the 1970's have been supplanted by policy reforms and retrenchments initiated by the administration over the past two budget cycles. As a consequence, about 16% of the real program growth over 1970-1981 will have been eliminated under current law by 1988.

Given the fact, however, that the social contract claim on GNP continues to rise under current law, the overall entitlement claim will stand at 10.1% by 1988, slightly above its 1981 level. Thus, after two budget rounds and the achievement of significant program revisions in some areas, the massive 1970's growth in the overall entitlement base remains intact within the budget structure, meaning that the major contributor to the 1981 budget disequilibrium has not yet been contracted nor its claim on GNP reduced.

The structural imbalance in the 1984 current services baseline.—Due to both the economic and policy developments described in the preceding sections, the structural disequilibrium that characterized the inherited 1981 budget has not been remedied—and the current services outlook for 1984-1988 extends and perpetuates it. The structural deficit remains as it was 3 years ago—after allowance for needed defense spending restoration and a permanent tax claim under 20% of GNP. Its reduction and eventual elimination constitute the overriding challenge to economic and fiscal policy in the years ahead.

The 1984 budget recommendations: A comprehensive program to close the structural deficit.—Given the underlying condition of the overall budget structure, only the most sweeping set of fiscal policy initiatives could possibly reverse the trend and set the budget on a path that is consistent with long-term economic recovery.

DEFICIT OUTLOOK AT A GLANCE: BASELINE VS. 1984 BUDGET PLAN



The 1984 budget plan, discussed in Parts II and III below, contains four essential features:

- An *immediate freeze* on pay, cost-of-living adjustments, aggregate discretionary spending, and a variety of reimbursement formulas and payments, which will reduce the deficit by

\$19 billion in 1984 and \$164 billion over the next 5 years. Along with other measures these steps will result in no real growth in aggregate spending for the first time since 1970.

- A broad program of structural reform of entitlements and transfer payments focused on health care, social security solvency, Federal retirement programs, and means-tested benefits. In combination, these measures will reduce the deficit by \$19 billion in 1984 and \$228 billion over the next 5 years.
- A standby revenue mechanism designed to go into effect if the deficit remains above 2.5% of GNP in 1986 and beyond. This "deficit insurance" measure is intended to reassure financial markets that the structural deficit will be closed.
- Maintenance of the defense buildup while achieving savings due to lower inflation, the 1984 pay freeze and various program economies totaling \$55 billion over the next 5 years.

THE 1984 FISCAL PLAN

(In billions of dollars)

	1984	1985	1986	1987	1988
Current services deficits	249	267	284	308	315
Outlay proposals:					
Programmatic reductions	-33	-46	-54	-67	-73
Net interest savings	-2	-6	-13	-22	-33
Total outlay effect	-35	-52	-66	-89	-106
Receipts proposals:					
Structural reforms ¹	-11	-11	-15	-18	-32
Contingency tax plan			-46	-49	-51
Total receipt effect	-11	-11	-61	-67	-84
Total deficit reductions	-46	-63	-127	-156	-189
Proposed budget deficit	203	205	157	152	126
On-budget deficit	189	194	148	142	117

¹ Primarily receipts from bipartisan social security plan and taxation of health insurance premiums.

Outlook for closing the structural deficit with the 1984 budget plan.—Both the short- and long-term measures contained in the President's comprehensive fiscal plan address those factors that have contributed to the continued deterioration of the Federal budget's structural imbalance. A comparison of the plan's details with the current services baseline shows that:

- As a result of the health care reforms and social security solvency plan, social contract spending is reduced by about \$15 billion by 1988.
- Outlays for other entitlements are reduced by \$11 billion due to the array of structural reform measures.
- By virtue of the continued freeze on aggregate discretionary spending and sharp curtailment of off-budget outlays, spending for this component falls an additional \$26 billion by 1988.

- Primarily as a result of the freeze on farm price supports and the PIK program, the residual domestic spending category declines by \$10 billion by 1988.
- Due to the social security solvency measures, private insurance health cap, and the stand-by revenue measure, receipts rise by \$84 billion by 1988, but the claim on GNP still remains below its 1981 level of 20.9%.
- As a consequence of all of the above improvements, net interest costs fall dramatically—by more than \$76 billion over 1984-1988.

The overall budget plan, then, balances three fundamental objectives that previously have not seemed easy to reconcile:

- The overall structural imbalance in the budget is substantially reduced, with the 1988 deficit falling by three-fifths compared to the current services baseline. This puts fiscal policy on a path consistent with economic recovery and long-run budgetary equilibrium.
- The internal shift in budget priorities toward adequate funding of national defense is maintained, with the overall nondefense spending claim falling by 2.9 percentage points compared to the 1981 level. Fully half of the excessive growth in the nondefense claim on GNP over 1970-1981 is eliminated by 1988—with the prospect of further declines beyond the budget period as the economy continues to grow and permanent spending reforms take hold.
- The receipt claim on GNP—even if the stand-by mechanism is triggered—remains nearly 2.6 percentage points lower than would have been the case with pre-1981 tax law.

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.

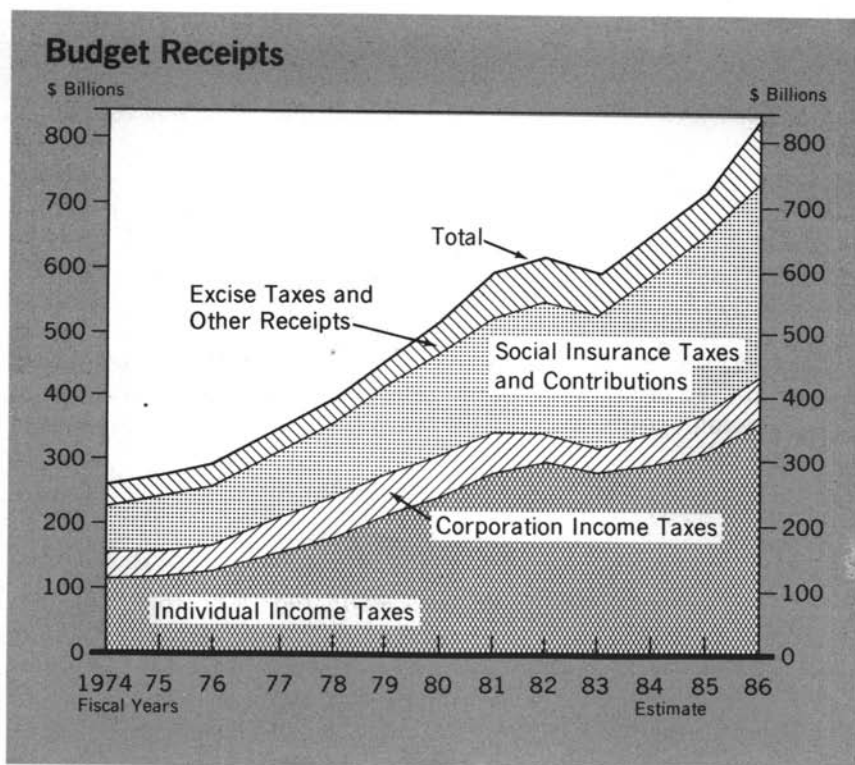
Summary

Total budget receipts in 1984 are estimated to be \$659.7 billion, an increase of \$62.2 billion from the \$597.5 billion estimated for 1983. Receipts in 1985 and 1986 are estimated to be \$724.3 billion and \$841.9 billion, respectively. These estimates include the effects of:

- the income tax reductions and other tax changes provided in the Economic Recovery Tax Act of 1981;
- the tax revisions and improvements in compliance and collection provided in the Tax Equity and Fiscal Responsibility Act of 1982;
- the 5-cent-per-gallon increase in the excise tax on gasoline and diesel fuel, and other tax changes provided in the Highway Revenue Act of 1982;
- the proposed bipartisan social security plan;
- the proposed contingency tax plan; and
- other receipts measures that are included in the administration's budget proposals.

Composition of budget receipts.—The Federal tax system relies predominantly on income and payroll taxes. In 1984:

- Income taxes paid by individuals and corporations are estimated at \$295.6 billion and \$51.8 billion, respectively. Combined, these sources account for 52.7% of total 1984 budget receipts.
- 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 \$242.9 billion, 36.8% of the total.



- Excise taxes, including the crude oil windfall profit tax, are expected to provide \$40.4 billion, 6.1% of the total.
- Estate and gift taxes, customs duties, and miscellaneous receipts are estimated at \$29.1 billion, the remaining 4.4% of the total.

Under the tax policy and economic assumptions presented in this budget, the income tax share of total receipts is projected to decline to 51.4% by 1986, 4.8 percentage points less than for 1982. This decline is the net effect of a 5.6 percentage point decline in the individual income tax share that is partially offset by a 0.8 percentage point increase in the corporation income tax share to 8.8%. Social insurance taxes and contributions are projected to rise as a share of total receipts from 32.6% in 1982 to 36.2% in 1986. The projected share of all other receipts increases by 1.2 percentage points between 1982 and 1986.

Enacted Legislation

Three major tax laws have been enacted since the administration took office in January 1981. The first, the Economic Recovery Tax Act of 1981, is an integral part of the administration's economic recovery program. This Act, which provides incentives for work,

saving, and investment, is estimated to reduce receipts by \$82.6 billion in 1983, \$130.3 billion in 1984, \$158.2 billion in 1985, and \$202.3 billion in 1986. The major provisions of this Act include an across-the-board reduction in individual income tax rates and other reductions in individual income taxes; the annual adjustment of the zero bracket amount, the personal exemption, and individual income tax brackets for inflation beginning in 1985; and the accelerated cost recovery of capital expenditures.

The second major tax law, the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), improves the fairness of the tax system while preserving the incentives for work, saving, and investment enacted in 1981. This Act increases receipts primarily by eliminating unintended benefits and obsolete incentives, increasing taxpayer compliance, and improving collection techniques. The provisions of this Act are estimated to increase receipts by \$17.3 billion in 1983, \$38.3 billion in 1984, \$42.2 billion in 1985, and \$52.1 billion in 1986.

The Highway Revenue Act of 1982 is the third major tax law enacted since January 1981. The main revenue provision of the Act increases the excise tax on gasoline and diesel fuel from 4 to 9 cents per gallon effective April 1, 1983. The increased receipts to the highway trust fund will be used to finance highway, bridge, and mass transit construction and repair. The Act is estimated to increase receipts by \$1.7 billion in 1983, \$3.8 billion in 1984, and \$3.9 billion in 1985 and 1986.

Despite the increases provided in TEFRA and the Highway Revenue Act, taxes have been reduced by \$445.9 billion over the 1982-1986 period relative to pre-ERTA tax law.

NET EFFECT OF ENACTED LEGISLATION ¹

(In billions of dollars)

	1982	1983	1984	1985	1986	1982-1986
Economic Recovery Tax Act of 1981	-35.6	-82.6	-130.3	-158.2	-202.3	-609.0
Tax Equity and Fiscal Responsibility Act of 1982	*	17.3	38.3	42.2	52.1	149.9
Highway Revenue Act of 1982		1.7	3.8	3.9	3.9	13.2
Net tax reduction	-35.6	-63.5	-88.2	-112.1	-146.3	-445.9

*\$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.

Receipts Proposals

Bipartisan social security plan.—The administration supports the proposed bipartisan plan to restore social security reserves to safer levels. The proposed plan ensures the future solvency of the

trust funds through a combination of revenue increases and benefit reductions over the next 7 years.

Contingency tax plan.—The administration proposes a contingency tax plan to become effective October 1, 1985, if economic growth sufficient to limit the deficit to 2½% of GNP does not materialize. The contingency taxes consist of a surcharge on individuals and corporations approximately equivalent to 1% of taxable income, and an excise tax on oil.

Contributions to civil service retirement.—To ensure that employers and employees each pay 50% of retirement costs, several changes in employer and employee contributions to civil service retirement are being proposed.

Other.—The administration also proposes that:

- employer-paid health insurance premiums in excess of \$175 per month for a family plan (\$70 for a single plan) be taxed;
- special tax incentives be provided economically depressed areas designated as “enterprise zones”;
- a jobs tax credit be provided employers who hire the long-term unemployed;
- earnings on savings deposited in special accounts to pay future higher education expenses be exempt from tax; and
- a tuition tax credit be provided for a portion of tuition expenses paid to qualified private elementary and secondary schools.

NET EFFECT OF PROPOSED LEGISLATION ¹

(In billions of dollars)

	1983	1984	1985	1986
Bipartisan social security plan		8.2	5.8	8.9
Contributions to civil service retirement		1.2	2.3	2.1
Taxation of health insurance premiums		2.3	4.4	6.0
Enterprise zone tax incentives		-0.1	-0.4	-0.8
Jobs tax credit	—*	-0.2	-0.2	-0.1
Higher education tax incentive		—*	-0.1	-0.2
Tuition tax credit		-0.2	-0.5	-0.8
Other	—*	*	*	*
Subtotal	—*	11.2	11.3	15.3
Contingency tax plan				46.0
Total	—*	11.2	11.3	61.3

*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.

Part III

MEETING NATIONAL NEEDS: THE FEDERAL PROGRAM BY FUNCTION

This section discusses the budget in terms of national needs, which are broad categories of programs that provide a coherent basis for analyzing and understanding the budget. The budget amounts are grouped together in functions so that similar Federal activities can be considered in terms of the national needs addressed. Generally, these groupings are made without regard to agency organizational distinctions. The Congress uses these functional categories in developing concurrent resolutions on the budget.

In addition to the functions that address national needs, three other categories are shown. Net interest, allowances, and undistributed offsetting receipts do not address specific national needs, but are necessary to cover the entire budget.

While budget outlays are the most obvious measure of the Federal Government's use of resources, some Federal activities are not covered by the budget outlay totals. These include outlays of off-budget Federal entities, loan guarantees, regulation, tax expenditures, and other provisions of the tax laws. Some of these activities are described in the national needs discussions that follow.

Off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the budget totals under terms of law. Their spending is part of total Federal spending, and Treasury borrowing to finance their outlays adds to the Federal debt. Spending by these entities (primarily for loans) does not differ in nature or effect from other Federal spending. Outlays of off-budget entities are shown near the end of this section.

Guaranteed 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. Loan guarantees do not generally result in budget outlays unless a default occurs. Through the credit budget, which has been in place for 4 years, the

administration proposes limitations on loan guarantees and direct loans.

Tax expenditures are provisions of the individual and corporation income tax laws that allow a special exclusion, deduction, or exemption from income; a preferential rate of tax; a special credit; or a deferral of tax liability. Nearly all tax expenditures are intended either to encourage particular economic activities or to reduce the taxes of persons in special circumstances. Tax expenditures are discussed at the end of this section.

NATIONAL DEFENSE

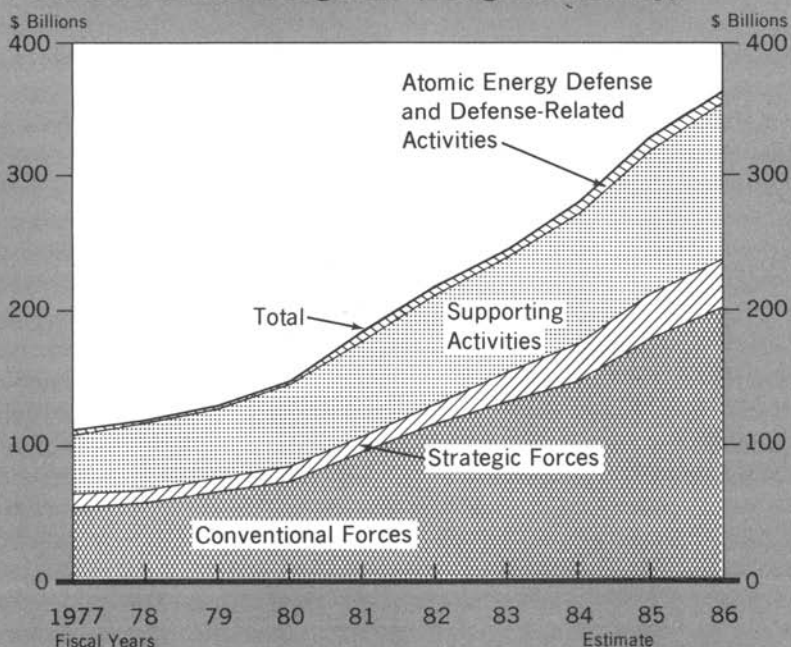
This function includes activities directly related to the defense and security of the United States. To meet the need for strengthened military capabilities, the administration requests an increase in budget authority for national defense from \$245.5 billion in 1983 to \$280.5 billion in 1984. Outlays are estimated to be \$214.8 billion in 1983, rising to \$245.3 billion in 1984.

Conventional forces.—Conventional forces are required to deter nonnuclear aggression or to respond to aggression if deterrence should fail. The major elements supporting these forces are pay and benefits for military personnel; purchase, operation and maintenance of conventional arms such as ships and aircraft; procurement of ammunition and spare parts; and training. Budget authority of \$148.0 billion is requested for these forces in 1984. Major acquisitions include new helicopters and M-1 tanks for the Army, new Navy ships, and various Air Force aircraft.

Strategic forces.—Strategic forces are required to deter Soviet conventional or nuclear attack against the United States and its allies. The budget includes proposals that continue the administration's plan for modernizing strategic forces with the MX Peacekeeper, a new intercontinental ballistic missile; procuring Trident submarines (which carry ballistic missiles); and developing and purchasing air-launched cruise missiles and the B-1B, a new manned bomber. The strategic program also calls for developing an advanced technology (stealth) bomber; modernizing warning and strategic defense systems; and developing and procuring reliable command, control, and communication systems.

Supporting activities.—Supporting defense activities include research and development, training and medical services, central supply and maintenance, and other overhead and logistic activities. Budget authority of \$97.3 billion is requested for these activities in 1984. Defense research and development programs are intended to

National Defense Programs (Budget Authority)



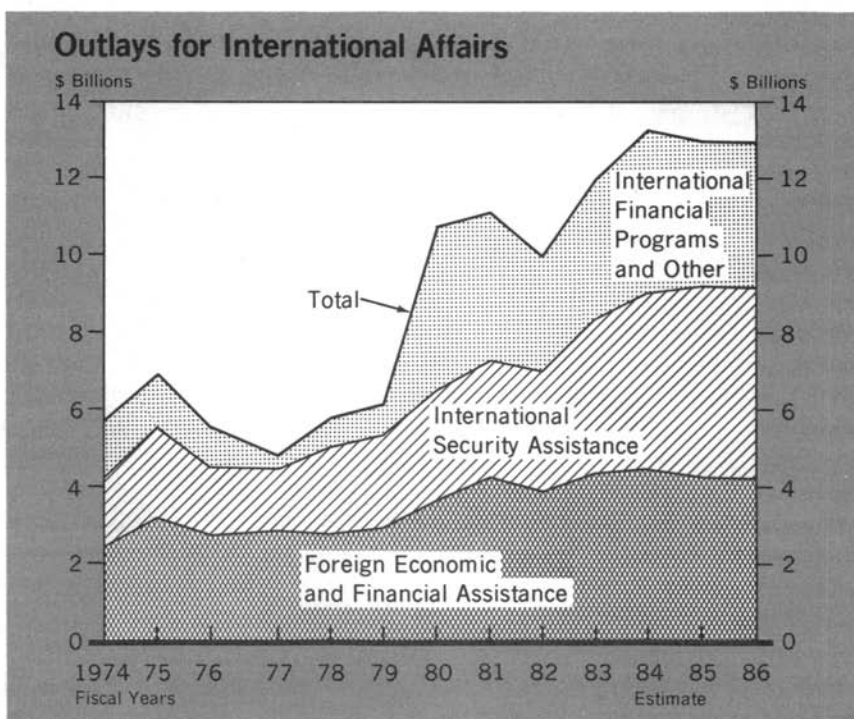
devise new and better weapons systems to meet changing military needs. They involve a broad range of activities, from basic research to construction of full-scale prototypes of weapons systems.

Atomic energy defense and defense-related activities.—The national defense function includes development, testing, and production of nuclear weapons and reactors for nuclear-powered ships. Budget authority of \$7.1 billion is requested for this work in 1984.

Other defense-related activities include stockpiling strategic materials, developing civil defense plans, and maintaining a stand-by selective service system.

INTERNATIONAL AFFAIRS

United States foreign policy is directed toward achieving world peace, built on international security and prosperity. It seeks a world in which individuals may enjoy political and economic freedom. Outlays for international affairs programs are expected to increase from \$11.9 billion in 1983 to \$13.2 billion in 1984.



Foreign aid.—Outlays for *international security assistance* programs are estimated to increase from \$4.0 billion in 1983 to \$4.6 billion in 1984. These programs serve to strengthen allied and friendly governments where the United States has special security concerns. In the face of increasing challenges to U.S. interests, the budget provides for a substantial increase in security assistance, both military and economic, and an improvement in the financial terms on which it is provided. Major programs in this area are the economic support fund, with estimated outlays of \$2.9 billion in 1984, and foreign military sales credit, with estimated outlays of \$5.2 billion in 1984, of which \$4.2 billion are off-budget outlays.

Outlays for *foreign economic and financial assistance* programs are estimated to increase from \$4.3 billion in 1983 to \$4.5 billion in 1984. Programs include both multilateral and bilateral assistance to help meet the development and humanitarian needs in poorer countries and to encourage the expansion of a market-oriented international economic system. Multilateral development assistance is carried out by the World Bank group and regional development banks, the United Nations, and other international organizations.

Bilateral development assistance programs are largely carried out by the Agency for International Development (AID). The administration's initiatives in the AID program include increased use of American and recipient country private sector resources. The

estimated outlays for AID of \$1.8 billion in 1984 support economic growth in developing countries through projects in agriculture, population, health, education and energy. Public Law 480 food aid supports security assistance, export market development, and humanitarian relief. Outlays are estimated to be \$1.1 billion in 1984.

International financial programs.—The Export-Import Bank provides direct loans and loan guarantees to encourage the export of U.S. goods and services. New direct loans are proposed to be \$3.8 billion in 1984. The administration will seek a supplemental direct loan authorization of up to \$2.7 billion for 1984 if necessary to meet subsidized foreign officially supported competition. The other major international financial program is the foreign military sales trust fund. The budget includes estimated outlays of \$1.4 billion in 1984 for all international financial programs.

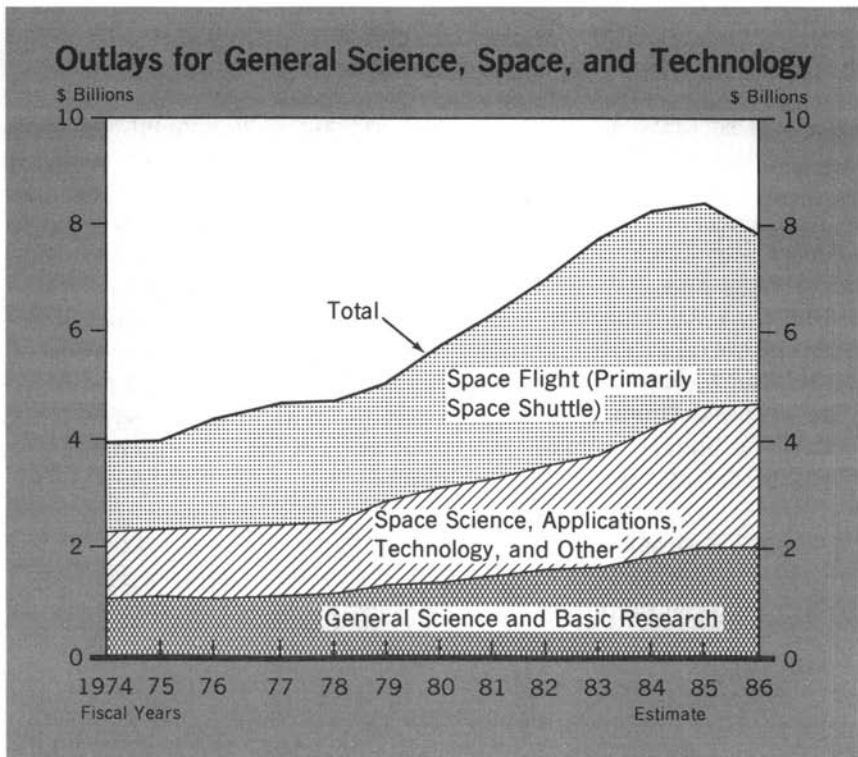
Other.—Estimated outlays of \$1.7 billion in 1983 and \$2.0 billion in 1984 are proposed for the *conduct of foreign affairs*. Emphasis continues to be placed by the Department of State on improving its effectiveness with additional officers and staff and improved automated information and communication systems.

Foreign information and exchange activities are also scheduled for expansion. The U.S. Information Agency will start a multiyear expansion and modernization of Voice of America facilities in 1983. It will also undertake a major new effort to foster the development of democratic values and institutions abroad. Outlays of \$0.7 billion in 1983 and \$0.8 billion in 1984 are estimated for all foreign information and exchange activities.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

The programs in this function seek to ensure the long-term scientific and technological strength of the Nation. This need is met by funding basic research, supporting space research and technology, and developing a space transportation system based on the Space Shuttle. Estimated outlays are expected to increase from \$7.8 billion in 1983 to \$8.2 billion in 1984.

General science and basic research.—Outlays are estimated to increase from \$1.6 billion in 1983 to \$1.9 billion in 1984 for scientific and engineering research supported by the National Science Foundation and for energy-related general science programs currently supported by the Department of Energy. This increase reflects the administration's commitment to support basic research



for the advancement of science and the training of future scientists and engineers.

The proposed increase also emphasizes the upgrading of research equipment at universities, and joint efforts with State and local governments and the private sector to improve the teaching of science and mathematics in secondary schools.

Space.—The Federal civilian space programs are primarily the responsibility of the National Aeronautics and Space Administration (NASA). The administration is committed to making the Space Shuttle fully operational and cost effective in providing routine access to space. The successful launch by the Space Shuttle of two commercial spacecraft in November 1982 marked the first operational use of the Shuttle. In 1984, NASA will continue to develop its currently planned Space Shuttle fleet of four orbiters.

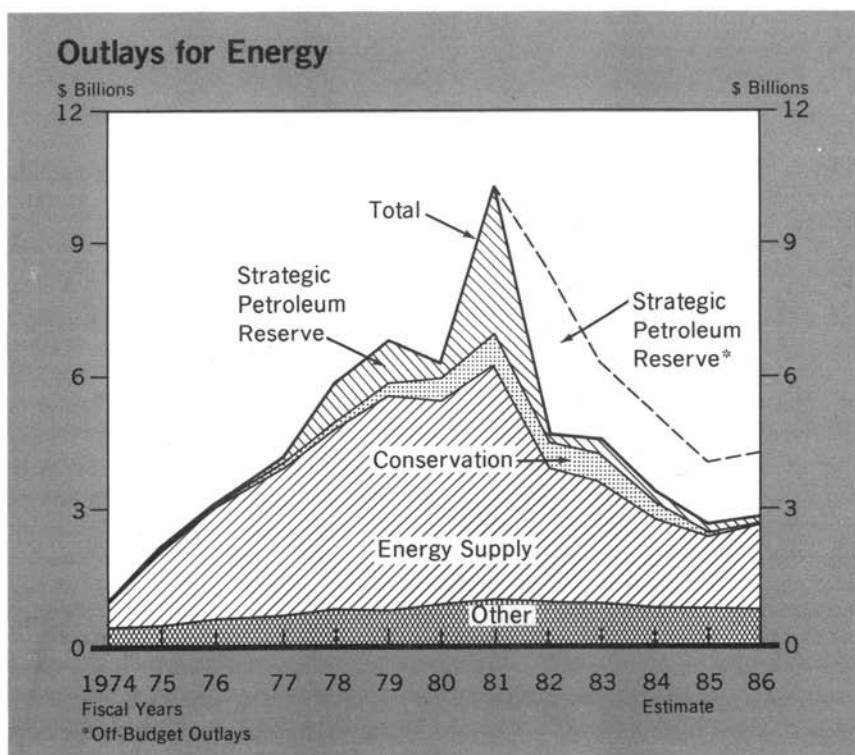
Increased funding is proposed for other space activities, including the new Venus radar mapper project, the Galileo mission to Jupiter, and further work on the space telescope program. Other programs will continue to develop space technology to study the Earth's surface and atmosphere, advance satellite communications technology, and investigate the potential of materials processing in space. Outlays for all space programs are estimated to be \$6.4 billion in 1984.

ENERGY

The programs in this function seek to encourage efficient energy production and use, and limit the Federal Government's role to such responsibilities as support for long-term research and the strategic petroleum reserve. The administration believes that sound public policy does not require large amounts of Federal spending but, rather, recognizes that the private sector makes most of the key decisions about using and producing energy.

Total outlays for energy are estimated to be \$3.3 billion in 1984, a 27% decrease from 1983 levels. The reductions result from removing the Government from activities, especially in technology development and demonstration, that are better done and financed by the private sector.

Energy supply.—Programs in this category include energy research and development, direct energy production programs, and incentives for private investment in synthetic fuels production.



The administration requests increased support for basic research that private industry lacks the incentive to finance. It continues to support long-term development programs, such as nuclear fusion, but sharply reduces support for short-term technology development activities. As a result, estimated outlays for energy supply research and development decrease from \$3.0 billion in 1983 to \$2.4 billion in 1984.

The budget includes an estimated \$0.3 billion in outlays for permanent disposal of commercial nuclear waste. This program will be financed by a user fee paid by operators of nuclear power plants.

The Federal Government directly produces and sells enriched uranium for nuclear power plants; oil from Government-owned fields in California and Wyoming; and electricity through the Tennessee Valley Authority and five regional power marketing agencies. Receipts for these programs are expected to exceed outlays by \$0.4 billion in 1984.

As part of its credit budget, the administration will limit the credit activity of the Rural Electrification Administration (REA). REA provides loans directly to eligible rural electric and telephone systems for expansion and maintenance of operations.

Energy conservation.—The unfettered play of market forces represents the best way to achieve the efficient use of energy. However, a limited Federal role does exist in supporting research and development that seeks to improve energy use in industrial processes, buildings, and transportation. Outlays in 1984 are estimated to be \$0.1 billion for these activities. Additional outlays of \$0.2 billion are estimated from spending the balances in several State and local energy conservation grant programs proposed for elimination.

Emergency energy preparedness.—Although the administration relies primarily on market forces to allocate oil supplies, it recognizes that the Government can play a helpful role during periods of severe supply disruptions by developing a strategic petroleum reserve. The reserve is expected to contain 357 million barrels by the end of 1983, and 410 million barrels by the end of 1984. Off-budget outlays for oil acquisition are estimated at \$1.9 billion in 1984. On-budget outlays in 1984 for construction of reserve storage facilities are estimated to be \$0.2 billion.

Other.—Federal energy activities currently located in the Department of Energy will be proposed for reassignment to other executive departments and agencies.

Estimated outlays of \$0.5 billion in 1984 are included for the Nuclear Regulatory Commission to regulate the nuclear power industry effectively and efficiently.

NATURAL RESOURCES AND ENVIRONMENT

The programs in this function are designed to ensure the responsible management and conservation of the Nation's natural resources. Outlays are estimated at \$9.8 billion in 1984, a \$2.3 billion decrease from 1983 that is in large part due to the growth of offsetting receipts, as shown in the accompanying table.

Pollution control.—Outlays for Environmental Protection Agency (EPA) programs unrelated to energy are estimated to be \$4.0 billion in 1984. This reflects EPA's continued emphasis on increased management efficiencies and accelerated delegation of environmental programs to the States. Outlays for the sewage treatment grant program are estimated to decrease by \$0.3 billion in 1984 as a result of completing projects built under previous grants, although \$2.4 billion in new budget authority is requested in 1984. Outlays dedicated to cleaning up abandoned hazardous waste sites and chemical spills are estimated to be 46% higher in 1984 than in 1983.

OUTLAYS FOR NATURAL RESOURCES AND ENVIRONMENT

(In billions of dollars)

	Pollution control	Water resources			Conservation, Recreation and Other			Other offsetting receipts	Total outlays
		Outlays	Receipts	Total	Outlays	Receipts	Total		
1974.....	2.0	2.3	—*	2.2	2.5	—0.4	2.1	—0.7	5.7
1975.....	2.5	2.7	—*	2.6	3.2	—0.3	2.9	—0.7	7.3
1976.....	3.1	2.8	—*	2.8	3.4	—0.4	3.0	—0.8	8.1
1977.....	4.3	3.3	—*	3.2	4.0	—0.7	3.3	—0.8	10.0
1978.....	4.0	3.5	—*	3.5	4.9	—0.3	4.6	—1.1	10.9
1979.....	4.7	3.9	—*	3.9	5.3	—0.7	4.7	—1.2	12.1
1980.....	5.5	4.3	—*	4.3	6.0	—0.6	5.4	—1.4	13.8
1981.....	5.2	4.3	—0.1	4.2	6.3	—0.6	5.7	—1.6	13.5
1982.....	5.0	4.1	—0.1	4.0	6.3	—0.5	5.7	—1.9	12.9
1983 estimate.....	4.3	4.0	—0.1	4.0	6.7	—0.8	5.9	—2.1	12.1
1984 estimate.....	4.1	3.8	—0.5	3.3	6.0	—1.0	5.1	—2.6	9.8
1985 estimate.....	4.0	4.1	—0.6	3.5	5.9	—1.0	4.9	—3.1	9.3
1986 estimate.....	3.8	4.3	—0.7	3.6	5.9	—1.1	4.8	—3.5	8.7

* \$50 million or less.

Water resources.—The Federal Government plans, constructs, and maintains water resource projects such as dams, navigation channels, and reservoirs. For the Army Corps of Engineers, the proposed budget includes a reduction in estimated outlays of \$0.3 billion in 1984. The budget will maintain the construction schedule for almost all current projects and reflects the fact that many water projects are being completed. Five new construction starts

are included for the Corps of Engineers in 1984; a substantial part of the cost of each new project will be borne by non-Federal sponsors.

Increased user fees will be proposed to recover capital and operating expenses of port and waterway projects, and to maintain Corps of Engineers recreation facilities.

Conservation and land management.—Programs in this category provide management of surface resources on public lands, and of federally owned mineral deposits. Outlays for conservation and land management are estimated at \$2.2 billion in 1984, a decrease of \$0.5 billion from 1983.

Proposed budget authority for administration of the Outer Continental Shelf oil and gas leasing program will decrease in 1984 due to simplified lease procedures. Leasing programs to develop tar sands and oil shale are also underway. Receipts from the sale of unneeded public lands are estimated to yield \$0.3 billion in 1984, and appear in the undistributed offsetting receipts section.

Recreational resources.—The administration seeks to improve and maintain existing nationally significant recreation resources, but not to acquire new public lands or facilities. Outlays to maintain and operate national parks, recreation areas, historic sites, and wildlife refuges are estimated to be \$0.7 billion in 1984.

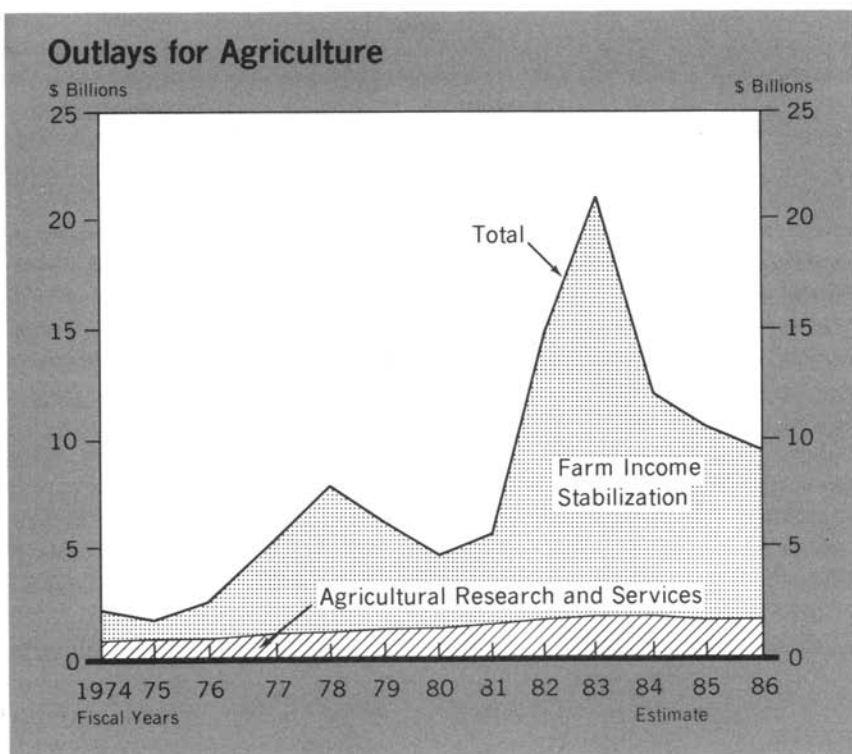
Legislation will again be proposed to increase National Park Service and Forest Service fees for use of recreational facilities.

Receipts of \$3.2 billion are expected in 1984 from sales of federally owned timber, sales of mineral leases, and royalties on extracted Federal minerals.

AGRICULTURE

Federal agricultural price support, credit, and insurance programs promote economic stability on the farm. Productivity of the agricultural sector is enhanced through research and other services. Total outlays for agriculture in 1984 are expected to be \$12.2 billion, a decrease of \$8.9 billion from 1983.

Farm income stabilization.—Price support, crop insurance, and agricultural loan programs are expected to change due to the administration's farm proposal for 1984, in particular "PIK" (payment-in-kind). PIK provides farmers with commodities, instead of cash, in return for reducing production. PIK is proposed for 1983 and 1984 due to increased supply and lower anticipated demand in farm markets. The new farm program would reduce commodity



price support and related program outlays from \$18.3 billion in 1983 to \$9.3 billion in 1984.

Federal crop insurance is the Government's primary means of alleviating the harm to producers from crop losses caused by natural hazards. The agricultural credit insurance fund also makes direct loans available to farmers, primarily for disaster relief.

Agricultural research and services.—Agricultural research programs help to increase productivity by developing new knowledge about crops and animals. Federal agricultural research in 1984 will place higher priority on long-term basic research with potential for high payoff. Short-term applied research and development, more appropriately financed by private industry, will receive reduced Federal aid. Estimated outlays for agricultural research in 1984 are \$0.7 billion, the same as in 1983.

Agricultural services include marketing, animal and plant health inspection programs, and the collection and distribution of economic data. Most agricultural marketing services are now provided on a user fee basis. Outlays for agricultural services are estimated to be \$0.8 billion in 1984.

COMMERCE AND HOUSING CREDIT

Programs in this function direct commerce and housing credit resources to those not adequately served by private credit markets; insure banking and thrift deposits; and provide a subsidy, through the Postal Service, to certain classes of mail. Outlays for this function are estimated to be \$0.4 billion in 1984.

Mortgage credit and thrift insurance.—The administration believes that the private market can allocate the Nation's credit resources more effectively and efficiently than the Federal Government. The Government does, however, insure and guarantee home mortgages for some individuals who are not served by the private market.

Most credit assistance does not increase budget outlays. For 1984, the administration has proposed \$39.8 billion in loan guarantee commitments for the Federal Housing Administration to insure home mortgages. The Government also provides direct loans to finance housing for the elderly, the handicapped, and residents of rural areas.

The most pressing need of both the housing industry and individual homebuyers is the promotion of economic growth with stable and reasonably low interest rates. Simultaneously, the administration proposes reductions in Federal housing credit programs to allow the private housing market more opportunity for growth. Outlays for housing credit activities are expected to be \$1.3 billion in 1984, a decrease of \$1.2 billion from 1983.

The Government also provides insurance for depositors' accounts in banks, credit unions, savings and loan associations, and mutual savings banks.

OUTLAYS FOR COMMERCE AND HOUSING CREDIT

(In billions of dollars)

	Mortgage credit and thrift insurance	Postal Service	Other ¹	Total
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	0.7	1.3	2.0	3.9
1982	1.2	0.7	1.9	3.9
1983 estimate	-0.6	0.8	1.8	1.9
1984 estimate	-1.4	0.4	1.4	0.4
1985 estimate	-4.1	0.4	1.4	-2.3
1986 estimate	-4.5	0.4	1.4	-2.8

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

Other advancement of commerce.—The budget includes proposals to eliminate nearly all Small Business Administration (SBA) subsidized direct loans—except for minority enterprise small business investment companies—but to maintain guaranteed loans at the estimated 1983 level. The SBA guaranteed credit assistance will be provided with emphasis on minority, handicapped, and first-time borrowers.

Outlays for this category are expected to be \$1.4 billion in 1984, \$0.4 billion less than in 1983.

Postal Service.—The Federal payment to the Postal Service, which is an independent Federal entity, is estimated to be \$0.4 billion in 1984. Direct Postal Service subsidies through 1984 have been postponed because the administration believes that the cost of specialized mail service should be paid by users, not by the general taxpayer. The administration is proposing to reduce subsidies to preferred-rate mailers, with the exception of the blind and handicapped.

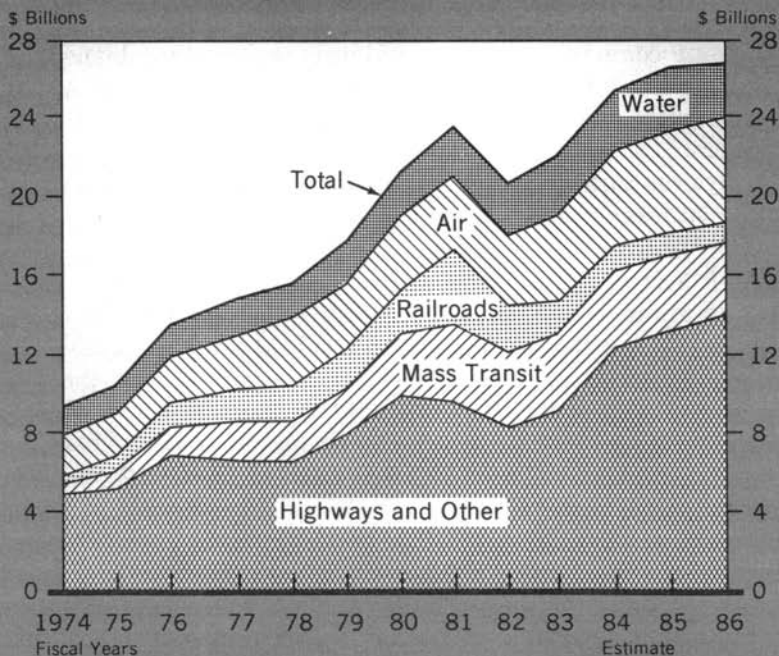
TRANSPORTATION

Federal transportation programs support State and local governments and private enterprise in providing safe, efficient movement of people and distribution of goods and services. Outlays for transportation are estimated to be \$25.1 billion in 1984, \$3.3 billion more than in 1983. The administration's budget stresses that those who benefit from Federal transportation programs should pay their cost through user charges.

Highways.—The Surface Transportation Assistance Act of 1982 provides for completion and rehabilitation of the interstate highway system, for rehabilitation of primary highways and bridges, and for continued assistance to States for other rural and urban systems. The user-financed highway trust fund will pay for the program through a five cent per gallon increase in the motor fuels tax and revisions to other highway user taxes. Outlays for highways are expected to be \$12.0 billion in 1984, a 51% increase from 1982.

Mass transit.—One cent per gallon of the motor fuels tax increase is dedicated to mass transit capital projects; the increase will be used to supplement funds from State, local, and private entities, which are primarily responsible for transit systems. Federal grants in 1984 will be mainly for capital assistance.

Outlays for Transportation



Since Federal operating assistance for mass transit has led to several undesirable consequences, including the financing of marginal projects, the budget contains a request to phase out operating subsidies by 1985. Estimated outlays for mass transit in 1984 are \$3.8 billion.

Railroads.—Improved financial prospects for the railroad industry and increased reliance on the private sector permit reductions in several Federal programs. Conrail, which moves freight in the Northeast and Midwest, will not need direct Federal subsidies in 1984. To decrease the Federal role where it is not essential, the administration intends to sell the railroad. The administration also requests lower subsidies for the National Railroad Passenger Corporation (Amtrak), as passengers and States cover more of Amtrak's operating costs. Total outlays for Federal subsidies and other railroad programs are estimated to be \$1.2 billion in 1984.

Air transportation.—Federal funds for air transportation are used to operate, maintain, and improve the national airspace system, and to promote aeronautical research and technology.

The administration requests a second year of funding for the Federal Aviation Administration's capital modernization program. Outlays for research and development and procurement of new facilities and equipment would increase from \$0.4 billion in 1983 to \$0.7 billion in 1984. Total outlays for air transportation are estimated to be \$4.8 billion in 1984.

Water transportation.—The budget includes \$3.0 billion in outlays in 1984 to maintain a safe, reliable, and efficient marine transportation system, and to meet the need for a competitive U.S. merchant marine.

The budget request for the Coast Guard would improve the efficiency of its operations and equipment by commissioning several new cutters and adding new search planes and helicopters. The administration is again proposing that consumers of certain Coast Guard services pay a user fee to cover some of the costs.

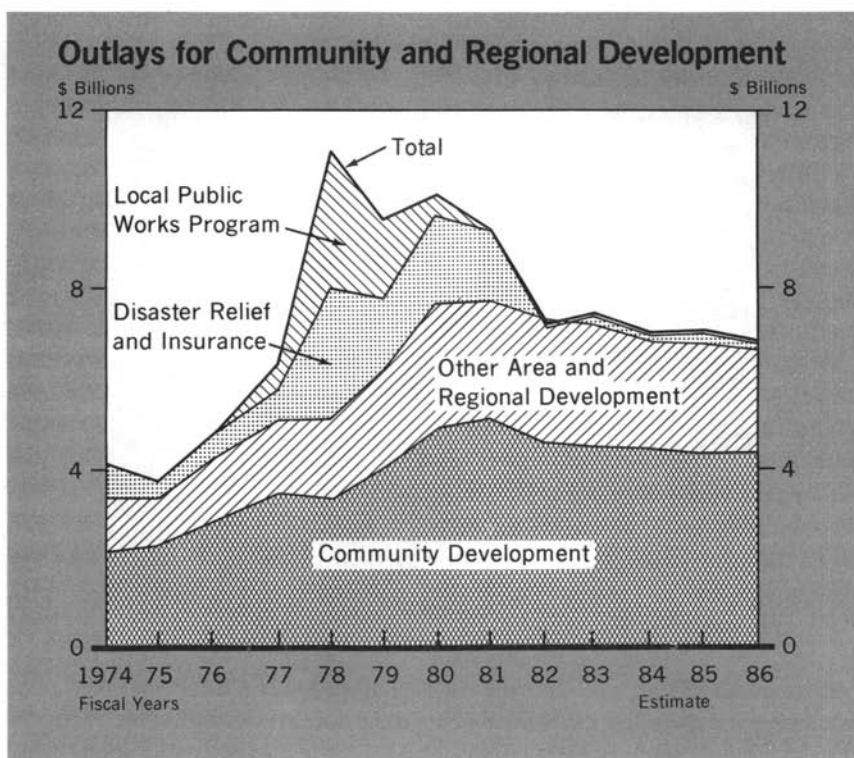
The administration is not requesting subsidies for the construction of new ships for the U.S. merchant marine. Instead, the administration supports the policy that U.S.-flag ship operators be permitted to build or acquire vessels abroad. For the operating subsidies program, the budget includes funds to meet the Government's obligation on existing contracts; no new contracts are anticipated.

COMMUNITY AND REGIONAL DEVELOPMENT

Federal policy for community and regional development is directed toward promoting viable economic and social growth of urban and rural neighborhoods, communities, and regions. This policy recognizes that private, State, and local decisions and resources should have the primary role in community and regional development. Total outlays are estimated to be \$7.0 billion in 1984.

Community development.—Community development block grants and urban development action grants are the major programs in this category. The administration is again proposing tax benefits for enterprise zones, increased funding for urban homesteaders, and a new rural rehabilitation grant program. Total outlays for community development are estimated to be \$4.4 billion in 1984.

Community development block grants help localities undertake projects that address specific community and economic needs, including housing rehabilitation and public facility improvement. For 1984, the administration has also proposed that communities be permitted to use these funds to support housing construction. In



addition, the administration is proposing a block grant program for Indian community development and housing. Outlays are expected to be \$3.5 billion in 1984.

Urban development action grants provide distressed localities with supplemental funding for specific economic development projects. These funds, together with private, State, and local funds, promote private investment and jobs in selected areas. Outlays for this program are expected to be \$0.5 billion in 1984.

The administration strongly supports the creation of enterprise zones as an experimental, free-market approach to revitalizing distressed urban areas. The administration will again seek legislation to reduce tax and regulatory burdens in clearly delineated areas to stimulate private investment and employment.

Area and regional development.—Grants and loans for rural water and waste disposal systems are the largest programs in this category. Total outlays for area and regional development are estimated to be \$2.4 billion in 1984, a reduction of \$0.4 billion from 1983.

The administration believes that the primary responsibility for economic development should rest with State and local governments and the private sector. Assistance provided by the Economic Development Administration and the Appalachian Regional Commission is, therefore, proposed for termination. Rural community and economic development will continue to be promoted through the use of other block grants, and loans and grants from the Farmers Home Administration.

Disaster relief and insurance.—The Federal Government provides disaster relief and insurance to supplement private, State, and local assistance when necessary. Major programs in this category include Small Business Administration disaster loans, the Federal disaster assistance program, and the national flood insurance fund. Outlays for disaster relief and insurance are estimated to be \$0.1 billion in 1984.

EDUCATION

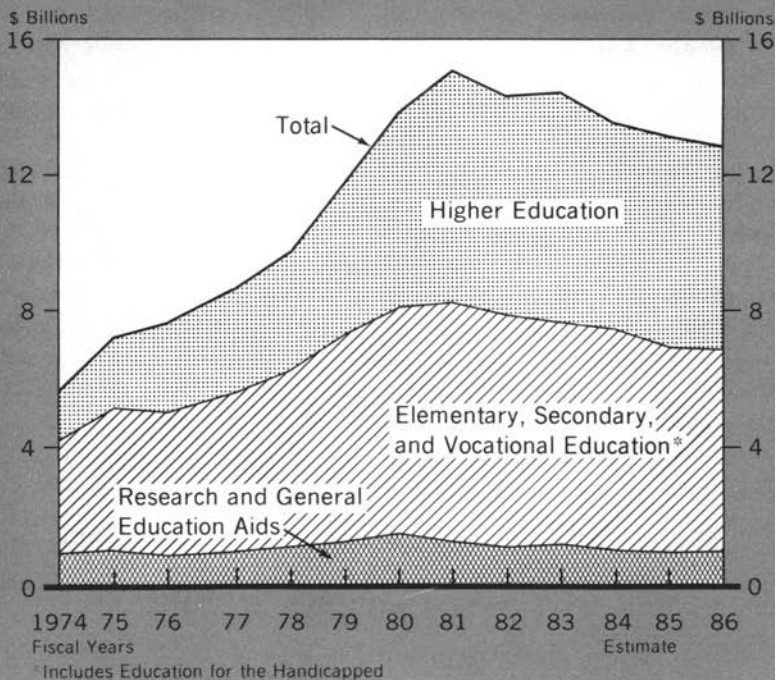
The Federal Government has traditionally played a limited role in the financial support of education. However, the Government's actual spending on specific education programs and its prescriptive regulations increased substantially in the 1960's and 1970's, resulting in a growing and inappropriate influence on parental, State, and local education decision making. The administration has moved forcefully to change that trend by simplifying programs, reducing unnecessary intrusion in local affairs, and reducing the excessive growth in spending. Outlays are estimated to be \$14.4 billion in 1983 and \$13.5 billion in 1984, about 10% of all spending in the United States for education.

Elementary, secondary, and vocational education.—The 1984 budget includes estimated outlays of \$6.4 billion to assist States and localities in providing education to students who have special needs, such as the educationally disadvantaged and the handicapped. The largest share of these funds goes to States and localities for activities such as special classes in reading and mathematics. Proposed legislation would offer States and localities the option of using vouchers to allow parents to select schools for their educationally disadvantaged children. Proposed legislation would also provide funds to States for training additional teachers in science and mathematics.

Legislation is proposed to provide States and localities more flexibility in the use of funds for vocational and adult education programs.

Higher education.—Estimated outlays for higher education are \$6.7 billion in 1983 and \$6.1 billion in 1984. The administration is

Outlays for Education



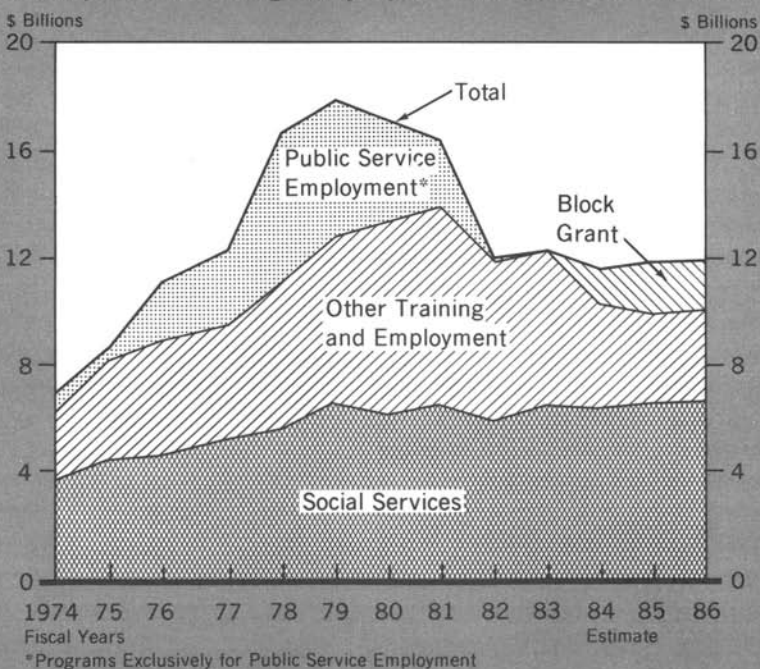
proposing to restructure student financial aid so that families and students would be required to contribute part of the cost of education before qualifying for a Federal grant. The work study program would be expanded substantially to help students meet their contribution requirement through work. The administration is also proposing a tax incentive that encourages people to save for their children's education. In addition, a major initiative is underway to increase collection of defaulted student loans.

TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

A number of programs improve the operation of the labor market, enhance individuals' long-term employment and earnings prospects and provide social services to needy individuals. Estimated outlays for these activities in 1984 are \$11.8 billion, a reduction of \$0.5 billion from the 1983 estimate.

Training and employment.—Training and employment activities are financed through such programs as block grants to States, summer youth employment, assistance to dislocated workers, the Job Corps, and the Federal-State Employment Service. In the past, an average of 18% of the grants being replaced by the job training

Outlays for Training, Employment, and Social Services



block grant went for training services. Now at least 70% of the grant amount must be used for training. It is expected that 406,000 years of service will be provided, compared to 303,000 in 1983.

Estimated outlays of \$0.6 billion in 1984 will provide approximately 718,000 summer jobs, about the same as in 1983. The Job Corps residential training program will continue to provide approximately 40,000 years of service in 1984, the same as in 1983. Outlays are expected to be \$0.6 billion in 1984. Estimated outlays of \$0.9 billion in 1984 will maintain the same overall level of employment services as in 1983.

Social services.—The Federal Government provides funds to States and to local public and private institutions for a variety of social services. These services are primarily designed to meet the needs of low-income individuals, children, the elderly, the disabled, and other groups with special needs. Estimated outlays for the social services block grant are \$2.5 billion in 1984.

In 1984, estimated outlays for rehabilitation services are \$1.0 billion; the administration is proposing substantial management improvements. Outlays for services to special groups such as the elderly and children are estimated to be \$2.0 billion in 1984.

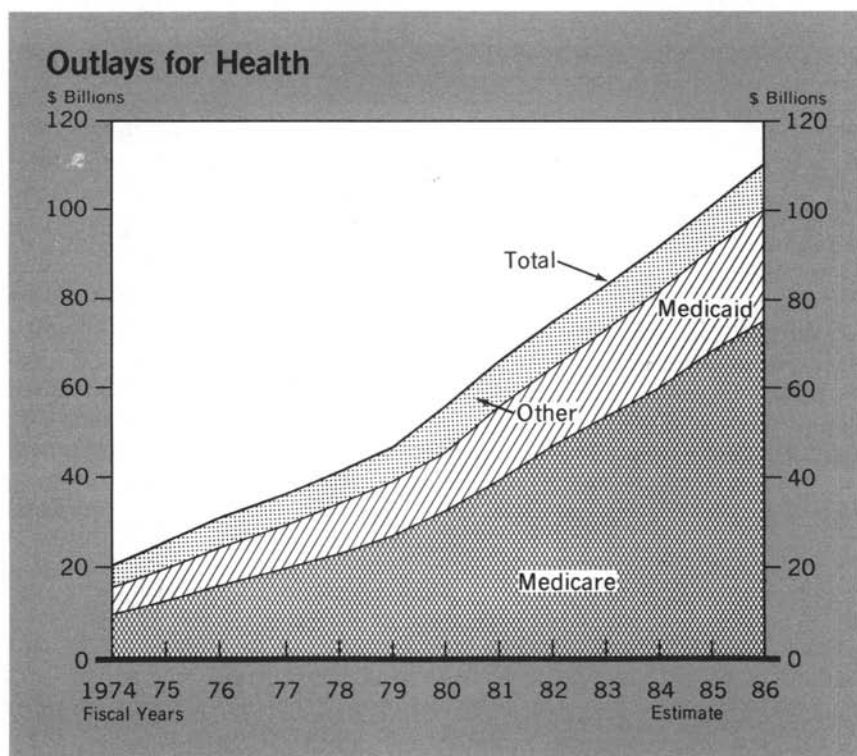
Estimated outlays for domestic volunteer programs of \$0.1 billion in 1984 will continue to support the Foster Grandparents, Senior Companions, and Retired Senior Volunteer programs.

HEALTH

The Federal Government contributes to meeting the Nation's health care needs by seeking to reduce health cost increases, financing health services, promoting preventive measures, and supporting research and training.

Federal outlays for health are estimated to increase from \$82.4 billion in 1983 to \$90.6 billion in 1984. More than 90% of these outlays are for financing and providing services to individuals through medicare and medicaid. The administration is proposing several major initiatives to limit health cost increases, including controlling medicare and medicaid costs and reducing tax subsidies for health insurance.

Medicare finances health care for 30 million aged and disabled persons. Medicaid finances health services for 23 million needy individuals. The administration proposes that the present medicare cost-sharing structure be revised so that all beneficiaries would pay higher amounts at the beginning of a hospital stay, but would receive complete protection against catastrophic hospital costs. The administration is also proposing to raise the voluntary supplementary medical insurance premium the aged pay for additional medical insurance. In addition, medicare reimbursements to hospitals



and doctors will be frozen for 1 year, and the increase in payments to hospitals will be limited. A proposed medicaid reform would require patients, except those in nursing homes, to make a small payment for all services.

The other major health proposal would limit tax deductions for employer-paid health insurance premiums to \$175 for a family plan and \$70 for an individual plan. The current tax subsidy artificially increases the value of this fringe benefit. This, in turn, has stimulated excessive health insurance coverage and contributed to higher health care costs.

The administration also proposes to reform the Federal employees health benefit program by indexing future government contributions to price increases rather than the costs of the largest, most comprehensive plans.

The Federal Government finances health block grants, the Indian Health Service and the National Health Service Corps. In addition, the Federal Government provides a substantial amount of the total funds devoted to health research in the Nation; estimated outlays for research will be \$4.3 billion in 1984. Estimated outlays for health education and training are \$0.4 billion in 1984, a \$0.2 billion decrease from 1983 because the supply of health care professionals is now adequate. Estimated outlays of \$1.1 billion in 1984 will protect consumers from unsafe and defective products, and workers from occupational hazards.

INCOME SECURITY

Income security benefits are paid to the aged, the disabled, the unemployed, and low-income families. Outlays for this function are estimated to be \$282.4 billion in 1984, 33% of total Federal budget outlays.

Social security.—Without changes to current law, social security would be unable to pay full benefits on a timely basis by July 1983. However, the bipartisan solution recommended by the National Commission on Social Security Reform is projected not only to keep social security solvent in the short term, but also to correct its long-range actuarial imbalance.

The Commission's recommendations, which the administration supports, include covering all non-profit and new Federal employees under social security; accelerating already scheduled tax increases; and freezing cost-of-living adjustments for 6 months. The administration also proposes to extend the freeze to railroad and Federal employee retirement and disability; food programs; and supplementary security income. Outlays for social security are expected to be \$178.2 billion in 1984.

Other retirement and disability.—In 1984, estimated outlays of \$5.8 billion will go to retired and disabled railroad employees, their dependents, and survivors.

Estimated outlays for the Federal employee retirement system, one of the most generous in the United States, are \$22.6 billion in 1984. Employees now pay only about 20% of the cost. The administration proposes to reform the system by increasing current contributions and reducing future benefits.

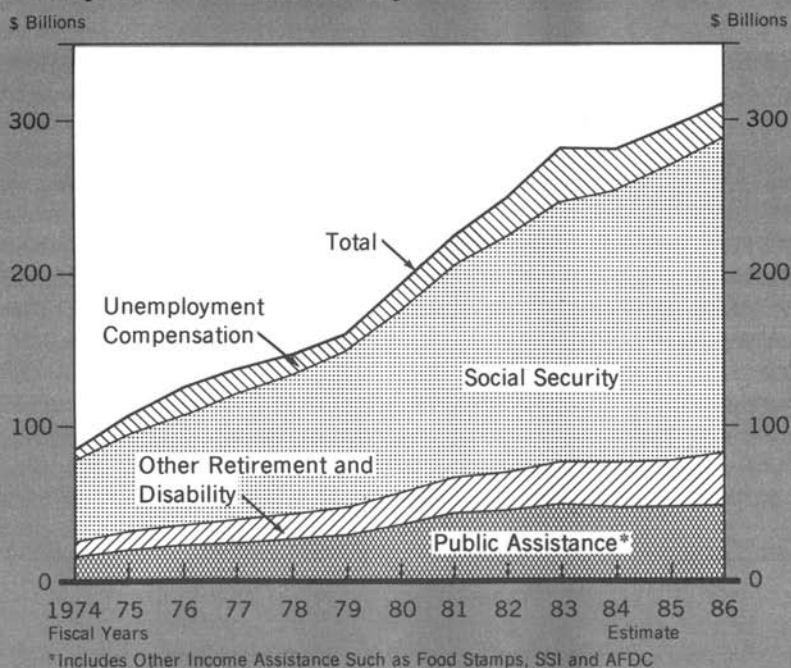
Public assistance.—The Federal Government provides assistance for food, income, and housing to impoverished families and individuals. Food stamps will be distributed to an estimated 21.5 million individuals in 1984. Estimated outlays for food stamps are \$10.9 billion in 1984. This is a decrease of \$1.1 billion from 1983 because of proposals to reduce the program's overpayments and because of an expected decrease in recipients due to lower unemployment. To direct the benefits to the neediest individuals, the administration proposes to require all States to adopt a "community work experience" program in which able-bodied food stamp recipients must participate in work-related activities.

Outlays for child nutrition and other food programs are estimated to be \$4.6 billion in 1984. The administration seeks to consolidate several of the smaller child nutrition programs into a general nutrition assistance grant to States.

The Federal Government subsidizes housing for low-income families and individuals. Budget authority for these programs is proposed to decline from \$5.7 billion in 1983 to \$0.4 billion in 1984. Despite this dramatic decline, outlays for all subsidized housing programs are estimated to increase from \$9.6 billion in 1983 to \$10.8 billion in 1984 due to commitments from prior years. The administration proposes to reform the structure of Federal subsidized housing assistance by enabling low-income households to find their own rental housing and receive rental subsidy payments. In addition, a new rural housing block grant is proposed to provide housing to low-income rural families.

Outlays for the supplemental security income (SSI) program, which pays benefits to an estimated 4 million needy aged, blind or disabled individuals are estimated to be \$7.8 billion in 1984. Federal outlays for aid to families with dependent children (AFDC) and child support enforcement (CSE) are estimated to be \$8.2 billion in 1983 and \$7.5 billion in 1984. A number of reforms in AFDC and CSE, including community work experience, are proposed. These changes will ensure that only the people who need the benefits receive them. Other income security programs include the earned income tax credit, refugee assistance, and low-income home energy assistance.

Outlays for Income Security



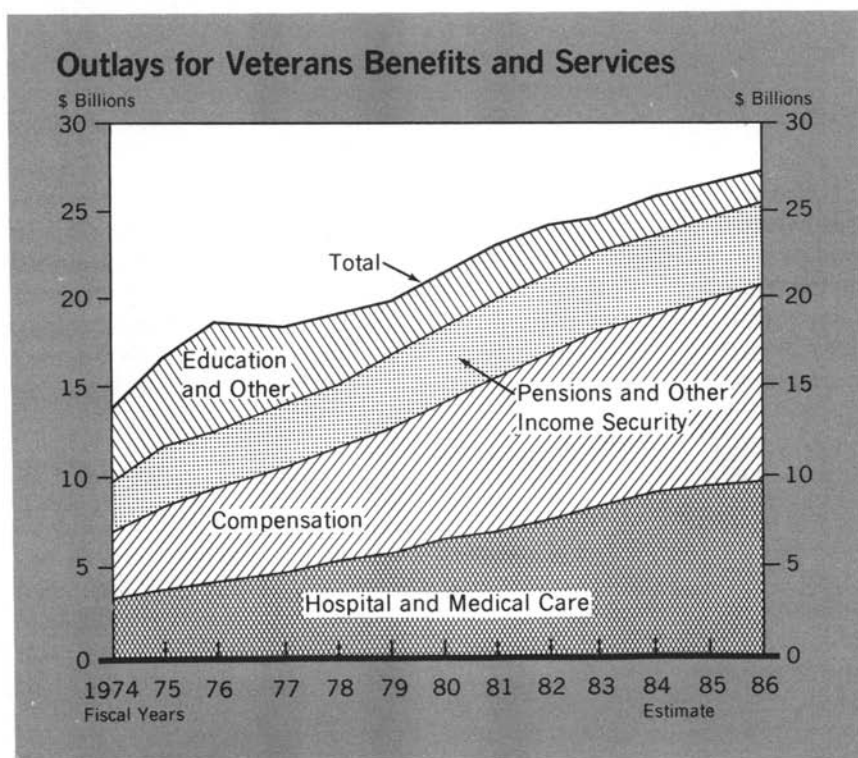
Unemployment compensation.—Outlays for unemployment compensation are estimated to decrease from \$36.9 billion in 1983 to \$28.8 billion in 1984 as a result of a decline in the projected average unemployment rate from 10.7% in 1983 to 10.1% in 1984. The number of weeks an unemployed worker can receive unemployment benefits is extended in any State where the unemployment rate is unusually high. The administration proposes a six month extension and modification of the Federal Supplemental Compensation program with an option for recipients to receive assistance in securing work through a system of tax credits to employers.

VETERANS BENEFITS AND SERVICES

Benefits and services provided to veterans meet the Nation's obligation to veterans of military service. Outlays for this function are expected to be \$25.7 billion in 1984.

Hospital and medical care.—The Veterans Administration (VA) operates the largest Federal medical care system. The budget provides funds to maintain, renovate, modernize, and systematically replace aging VA medical structures; and to provide health care for the growing number of elderly veterans. Outlays for hospital and medical care are estimated to rise from \$8.3 billion in 1983 to \$8.9 billion in 1984.

Compensation.—Compensation benefits are provided to an estimated 2.6 million veterans with service-connected disabilities and to their survivors. The administration is proposing a 5.1% cost-of-living increase in compensation benefits, effective in April 1984. This reflects a 6-month delay from the past practice of providing cost-of-living increases effective in October of each year. Outlays



for compensation benefits are estimated to increase from \$9.7 billion in 1983 to \$10.1 billion in 1984.

Pensions.—Pensions are provided to needy veterans with war-time service and to their survivors. Outlays for pension benefits are estimated to be \$3.9 billion in 1983 and 1984. These estimates reflect a proposal to postpone automatic cost-of-living increases for 6 months beginning in 1983.

Education, training, and rehabilitation.—The GI bill provides education benefits designed primarily to help veterans adjust to civilian life. Outlays for these benefits are estimated to decrease from \$1.6 billion in 1983 to \$1.3 billion in 1984, reflecting the decline in the number of eligible veterans.

Other.—The VA provides additional assistance to veterans through housing loan guarantees. New guaranteed loan commitments are expected to rise from \$6.0 billion in 1982 to \$18.6 billion in 1983 and \$19.9 billion in 1984, as the housing market recovers and veterans take advantage of the projected decline in interest rates. Direct loan programs are available to veterans eligible for special housing.

ADMINISTRATION OF JUSTICE

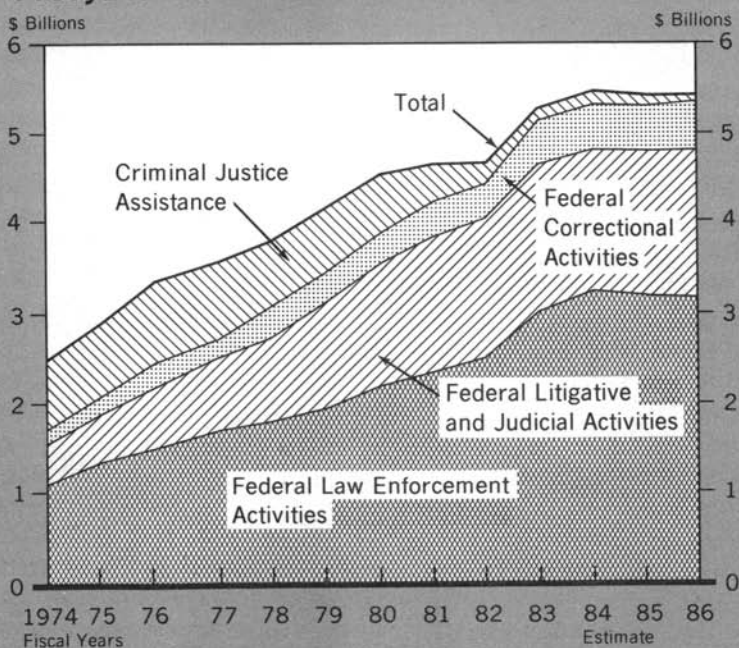
Among the most fundamental responsibilities of the Government are ensuring the safety of the people and resolving disputes peacefully and fairly. Federal activities in this function include law enforcement, criminal justice assistance to State and local governments, and providing prisons for Federal inmates. Outlays for these activities are estimated at \$5.5 billion in 1984.

Federal law enforcement activities.—More than one-half of outlays for programs in this function are for law enforcement activities. Outlays for this purpose are estimated to be \$3.3 billion in 1984.

The organized crime drug enforcement program is a recent administration initiative. A network of 12 regional task forces, together with the South Florida task force, will battle illegal drug trafficking by organized crime. The administration proposes to fund automated information systems and additional Federal prison space to back this effort.

Other programs in this category include the law enforcement efforts of the Federal Bureau of Investigation and the Drug Enforcement Administration, and border enforcement activities of the Customs Service and the Immigration and Naturalization Service.

Outlays for Administration of Justice



Federal litigative and judicial activities.—Another administration initiative for 1984 is the identification and seizure of the assets and profits of illegal drug trafficking organizations.

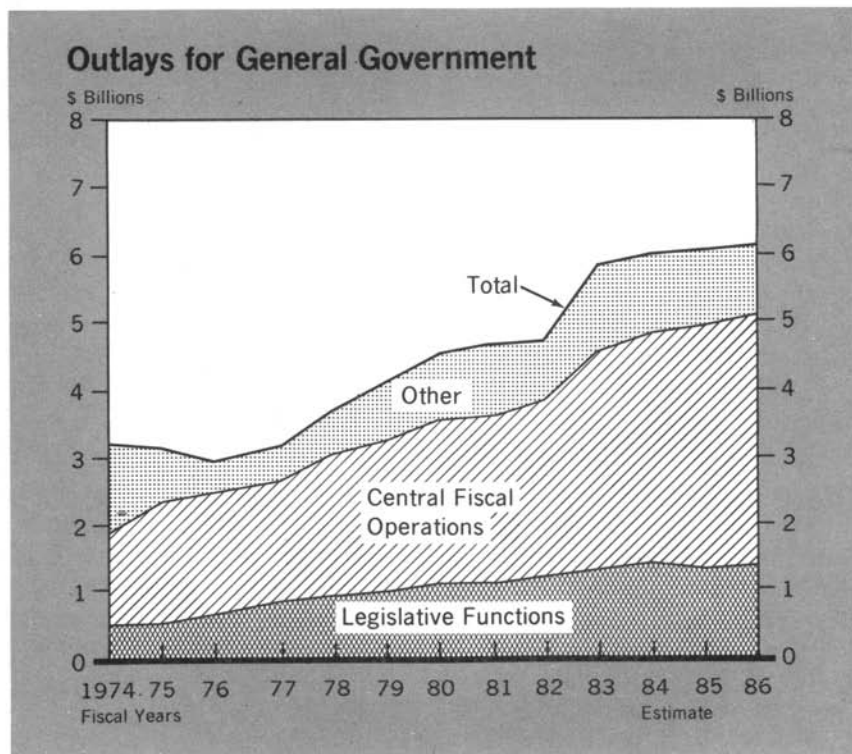
The budget does not include any funds for the Legal Services Corporation, created to assist State and local agencies that provide free civil legal assistance to the poor. The administration's social services block grants are sufficient to fund legal services that States wish to provide for their citizens.

Federal correctional activities.—The Federal Government is responsible for the care and custody of prisoners charged with or convicted of violating Federal laws. In response to the growing Federal prison population, funds for two new prisons and one new jail are proposed, as well as funds for the renovation and expansion of existing facilities. Outlays for correctional activities in 1984 are estimated to be \$0.5 billion.

Criminal justice assistance.—The administration is proposing a new criminal justice assistance program to provide training, technical assistance, and financial assistance to State and local agencies.

GENERAL GOVERNMENT

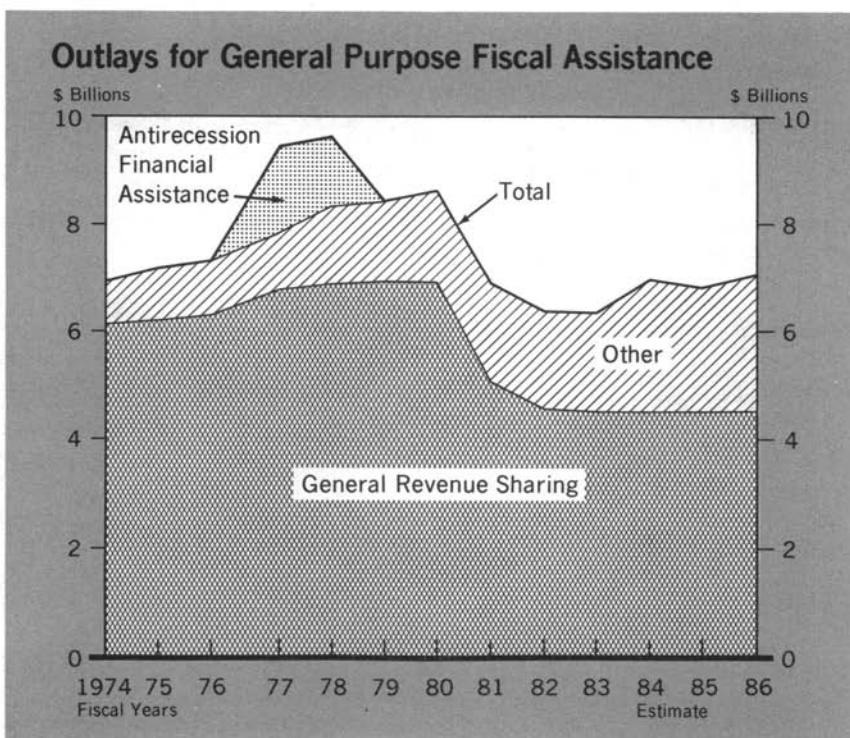
This function comprises central government activities for both the legislative branch and the Executive Office of the President. In addition, it includes tax collection by the Internal Revenue Service and the general property and records management activities of the General Services Administration. Outlays for general government are estimated to be \$6.0 billion in 1984.



GENERAL PURPOSE FISCAL ASSISTANCE

General purpose fiscal assistance provides Federal aid to State and local governments without major restrictions or matching requirements. This assistance can generally be used for State or local services, construction, debt retirement, and other purposes of general government. Total outlays for this assistance are estimated to be \$7.0 billion in 1984.

General revenue sharing.—General revenue sharing provides assistance to nearly 39,000 local jurisdictions below the State level.



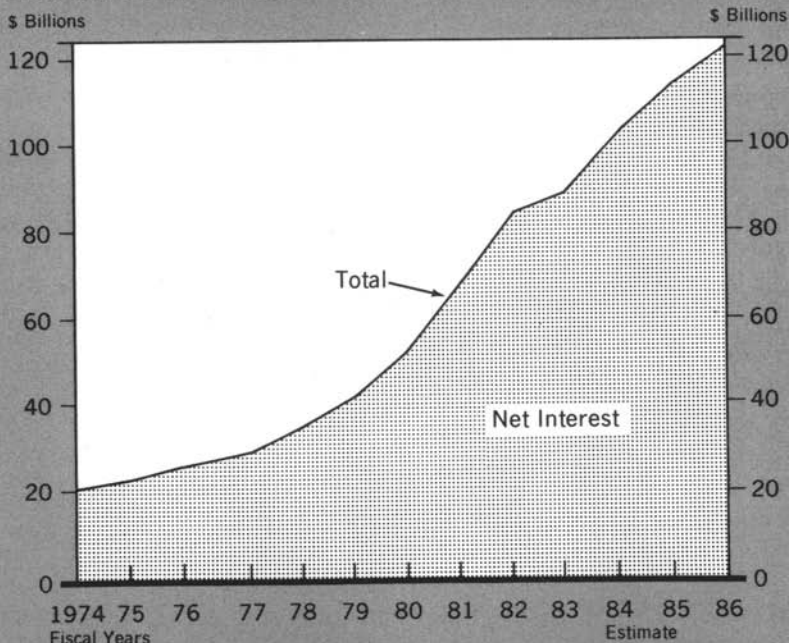
These funds are allocated on the basis of population, per capita income, and general tax effort. Outlays for the program, which the administration proposes to renew in 1983, are estimated to remain at \$4.6 billion in both 1983 and 1984. Under the administration's federalism initiative, general revenue sharing may be combined with the entitlement portion of the community development block grant program into one grant to local governments beginning in 1984.

Other general purpose fiscal assistance.—This category includes payments and loans to the District of Columbia and other general payments to States, localities, and territories. Some jurisdictions receive payments from the Federal Government based on receipts generated from the sale of timber, mineral leases, grazing permits, and other activities on Federal property. Outlays for other general purpose fiscal assistance are estimated to increase from \$1.8 billion in 1983 to \$2.4 billion in 1984, primarily due to a change in the schedule of mineral leasing payments to States.

NET INTEREST

This function includes interest paid by the Federal Government, offset by interest collections from the public and interest received by Government trust funds. Net interest outlays are very sensitive

Net Interest Outlays



both to interest rates and to the amount of debt outstanding. Despite the projected decline in interest rates, net interest outlays are expected to increase from \$88.9 billion in 1983 to \$103.2 billion in 1984 due to higher borrowing required to finance the deficit.

The Federal Reserve System owns Government securities for the purpose of carrying out monetary policy. Most of the interest it receives on these securities is paid to the Treasury as budget receipts. Deducting these receipts from net interest outlays shows the net effect on the deficit, which is estimated to be \$75.5 billion in 1983 and \$90.4 billion in 1984.

NET INTEREST EFFECT ON THE DEFICIT

(In billions of dollars)

	1982 actual	1983 estimate	1984 estimate	1985 estimate	1986 estimate
Interest on the public debt.....	117.2	128.1	144.5	164.7	179.4
Interest received by trust funds.....	-16.1	-16.3	-16.9	-23.0	-28.1
Other interest.....	-16.4	-22.8	-24.5	-27.5	-28.6
Net interest outlays	84.7	88.9	103.2	114.2	122.7
Deposits of earnings by the Federal Reserve System ¹	-15.2	-13.4	-12.8	-13.3	-13.6
Net interest effect on the deficit	69.5	75.5	90.4	100.9	109.1

¹ Shown as budget receipts.

ALLOWANCES

Allowances cover certain transactions that are expected to occur, but that are not included in the preceding function estimates. As these transactions take place, the outlays, savings, or receipts are classified in the appropriate functions.

Because of the need for budget austerity, the budget anticipates no civilian agency pay increase for 1984. It does, however, anticipate future pay raises that match those granted to non-Federal employees.

The administration is proposing to share the cost of civilian retirement systems equally between Federal employees and employing agencies. Legislation is being proposed to increase both employee and employer contributions to these funds. An allowance of \$0.9 billion in 1984 covers the full amount of the increased contribution by employing agencies.

UNDISTRIBUTED OFFSETTING RECEIPTS

Offsetting receipts are generally deducted from agency and function totals, but in three instances they are deducted from the budget totals as undistributed offsetting receipts. These are estimated to be \$20.4 billion in 1983, and \$22.8 billion in 1984.

Agency contributions for employee retirement are counted as agency outlays. In order to measure the Government's transactions with the public, these payments are deducted as undistributed offsetting receipts. Totals for this activity are estimated to be \$8.2 billion in 1983 and \$9.9 billion in 1984. They include the increased employer contributions to civilian retirement trust funds, under a new administration proposal.

Payments to the Government for rents and royalties on the Outer Continental Shelf (OCS) are large, and their inclusion in a particular function would distort the display of program outlays. Offsetting collections for OCS are estimated to increase from \$11.8 billion in 1983 to \$11.9 billion in 1984.

Receipts from disposition of surplus property are expected to be \$0.4 billion in 1983 and \$1.0 billion in 1984, of which \$0.3 billion result from the sale of unneeded public lands. The administration has proposed legislation to use these offsetting collections exclusively to retire public debt.

OFF-BUDGET FEDERAL ENTITIES

Some Federal spending is excluded from the budget totals under provisions of law. The off-budget outlays are added to the budget deficit to derive the total Federal deficit that must be financed by borrowing from the public or by other means.

One off-budget Federal entity, the Federal Financing Bank (FFB), accounts for most off-budget outlays. The FFB's outlays do not come from programs that the FFB operates itself, but from loans it makes or purchases at the request of other Federal entities. The outlays of the FFB do not include its purchase of Federal agency debt securities.

The Postal Service, purchases for the strategic petroleum reserve, and a few other credit programs are also off-budget. The table below shows off-budget outlays, classified by function.

DISTRIBUTION OF OFF-BUDGET OUTLAYS

(In billions of dollars)

	1982 actual	1983 estimate	1984 estimate	1985 estimate	1986 estimate
Federal Financing Bank (FFB):					
International affairs.....	2.3	2.8	4.2	3.5	3.4
General science, space and technology	0.1	0.2	-0.1	-0.1	-0.1
Energy.....	5.2	6.1	5.2	5.3	4.5
Agriculture.....	1.1	0.8	-0.1	-0.2	-0.2
Commerce and housing credit.....	2.9	2.9	0.3	0.3	0.3
Transportation.....	0.1	*	*	*	*
Community and regional development.....	1.1	0.8	0.8	0.4	0.1
Education.....	0.7				
Health.....	*	*	*	*	*
Income security.....	0.7	0.6	*	*	*
General government.....	*	*	*	*	*
Subtotal, FFB.....	14.1	14.3	10.2	9.1	8.0
Other off-budget:					
Energy:					
Rural electrification and telephone revolving fund.....	*				
Strategic petroleum reserve.....	3.7	1.8	1.9	1.4	1.4
Synthetic Fuels Corporation.....					
Commerce and housing credit:					
Postal Service.....	-0.6	0.9	1.9	-0.2	-0.1
Transportation:					
U.S. Railway Association.....	*	-0.1	*		
Community and regional development:					
Rural telephone bank.....	0.1	0.1	0.1	0.1	0.1
Total off-budget outlays.....	17.3	17.0	14.0	10.5	9.4

*\$50 million or less.

TAX EXPENDITURES

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the budget.

Tax expenditures are features of the individual and corporation income tax laws that provide special benefits or incentives in comparison with what would be permitted under the general provisions of the Internal Revenue Code. They arise from special exclusions, exemptions, or deductions from gross income, or from special credits, preferential tax rates, or deferrals of tax liability.

Tax expenditures reduce tax liabilities for particular groups of taxpayers to encourage certain economic activities or in recognition of special circumstances. They can be viewed as alternatives to other means by which the Federal Government carries out policy objectives, such as direct outlays, loan guarantees, regulation, and other tax law provisions.

Tax expenditures affect individual and corporate taxes in important ways. For example, homeowners may take a tax deduction for the interest charged on their mortgage. This provision is estimated to result in a tax expenditure of \$28.3 billion in 1984. Businesses may deduct, as a credit, part of the cost of equipment that is purchased for use in business. This provision of the tax laws, which provides incentive for business investment, is expected to result in a tax expenditure of \$18.3 billion in 1984. The table below displays estimates of tax expenditures, classified by function.

TAX EXPENDITURES ESTIMATED AS OUTLAY EQUIVALENTS

(In billions of dollars)

Function	1982	1983	1984
National defense.....	3.1	2.9	3.0
International affairs.....	4.7	4.7	4.2
General science, space, and technology	0.8	—0.1	0.1
Energy.....	6.2	4.5	4.2
Natural resources and environment.....	2.3	2.8	3.3
Agriculture.....	1.4	1.4	1.4
Commerce and housing credit.....	111.9	108.3	115.6
Transportation.....	*	*	0.1
Community and regional development.....	0.3	0.4	0.5
Education, training, employment, and social services.....	15.4	15.1	15.9
Health.....	28.8	30.8	34.3
Income security.....	107.1	113.2	123.3
Veterans benefits and services.....	2.4	2.3	2.3
General government.....	0.2	0.2	0.3
General purpose fiscal assistance.....	28.9	30.7	33.3
Net interest.....	0.3	0.5	0.5

*\$50 million or less.

Part IV

THE BUDGET PROCESS

Both through taxing and spending, 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 national priorities determined by the executive branch and the Congress.

Executive formulation and transmittal.—The budget sets forth the President's financial plan of operation for the Federal Government. The President's transmittal of budget proposals to the Congress is the result of many months of planning and analysis throughout the executive branch. Formulation of the 1984 budget began in the spring of 1982.

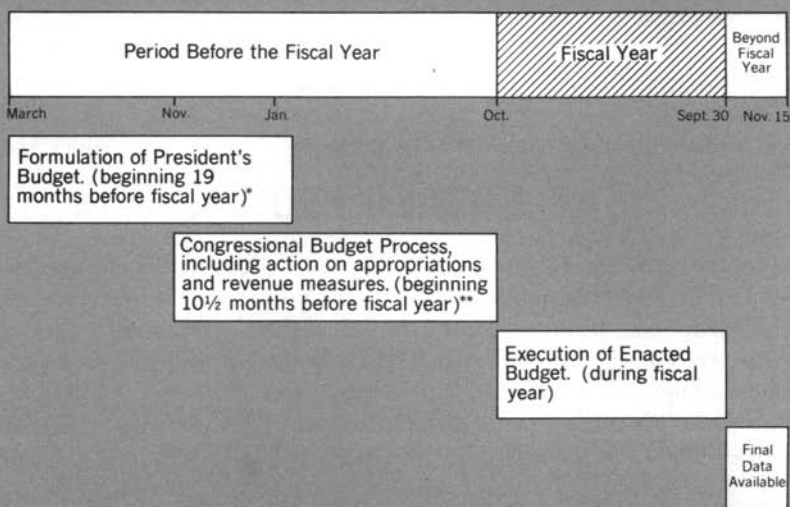
Each spring, policy issues are identified, budget projections are made, and preliminary program plans are presented to the President. The President reviews the budget projections in light of the economic outlook, and establishes general budget and fiscal policy guidelines for the fiscal year that begins more than a year later. Under the multiyear budget planning system, the President's guidelines also cover the 4 fiscal years beyond the budget year. Tentative policy decisions for the budget year and planning ceilings for the following 4 years are then given to the agencies as guidelines for preparing their budgets.

In the summer, agencies and departments prepare their budget requests, which are reviewed in detail in the fall by the Office of Management and Budget and presented to the President. The budget sent to the Congress at the beginning of each calendar year reflects the President's recommendations for existing and proposed programs, as well as total outlay and receipt levels appropriate to the state of the economy.

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 the President to transmit current services estimates annually. These estimates represent the budget authority and outlays required to continue Federal programs in subsequent fiscal years without any policy changes, thereby providing a base

Major Steps in the Budget Process



*The President's budget is transmitted to the Congress within fifteen days after the Congress convenes.

**If appropriation action is not completed by Sept. 30, the Congress enacts temporary appropriation (i.e., continuing resolution).

with which to compare program initiatives. Current services estimates for 1984 and the following 4 years accompany this budget.

Congressional action.—Before passing appropriations for a specific program, the Congress enacts legislation to authorize the program 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. Programs such as space exploration, nuclear energy, defense procurement, foreign affairs, and some construction projects require annual authorizing legislation.

Budget authority is usually provided separately after the program authorizing legislation 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 congressional committees send reports on budget estimates to the House and Senate Budget Committees by March 15. The budget committees are to report out a budget resolution by April 15.

The Congress is scheduled to adopt by May 15 the first budget resolution, which sets overall targets for receipts, outlays and budget authority. After action has been completed on all or most money bills, the Congress adopts a second budget resolution, which sets a ceiling on total budget authority and outlays and a floor for receipts. The first or second budget resolution can contain a "reconciliation" directive calling on various committees to cut spending or increase receipts by specified amounts. For the past 3 years, the Congress has enacted omnibus reconciliation legislation that reduced budget authority and outlays or increased revenues in response to a directive in the concurrent budget resolution.

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 transmitted to the President for approval or veto. When appropriations are not enacted by the beginning of the fiscal year, the Congress enacts a "continuing resolution" to provide authority so that the affected agencies may continue operations until a specific date or until their regular appropriations are approved.

Budget execution and control.—Once approved, the budget becomes the basis for 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.

Amounts may be withheld for policy or other reasons. However, the Impoundment Control Act of 1974 provides that the executive branch, in regulating the rate of spending, must report to the Congress any administrative action to postpone or eliminate spending authorized by law.

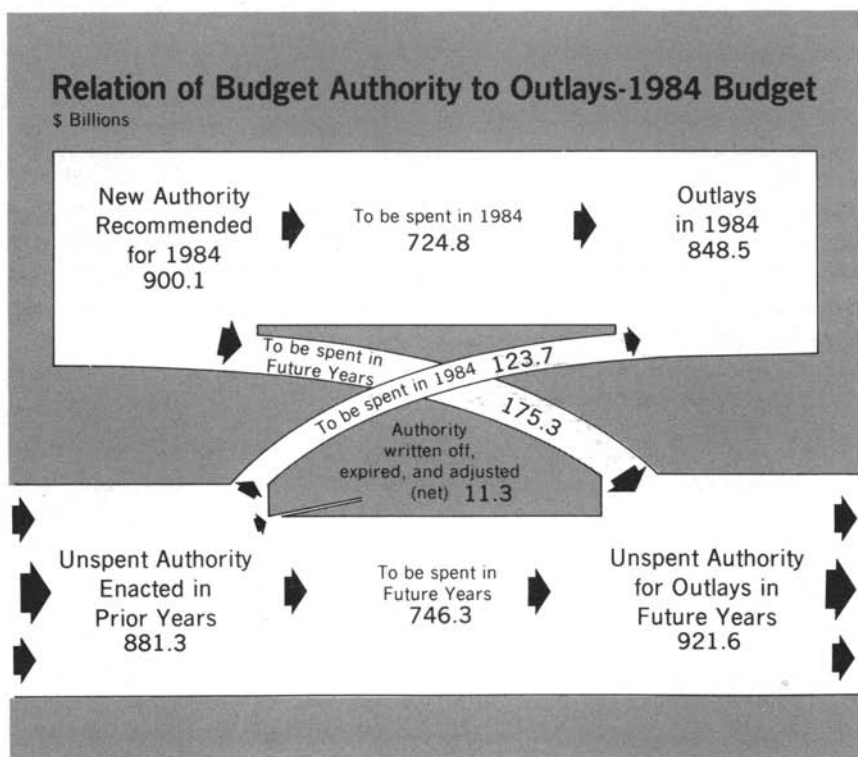
Deferrals, which are temporary withholdings of budget authority, cannot extend beyond the end of the fiscal year, and may be overturned by either House of the Congress at any time. Rescissions, which permanently cancel existing budget authority, must be approved by the full Congress. Otherwise, the withheld funds must be made available for spending.

Relation of Budget Authority to Outlays

Not all of the new budget authority for 1984 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.

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, 1984*.

Table 1. BUDGET RECEIPTS, OUTLAYS, AND DEBT, 1974-86

(In billions of dollars)

Description	Actual										Estimate			
	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Receipts:														
Federal funds.....	181.2	187.5	201.1	54.1	241.3	270.5	316.4	350.9	410.4	409.3	376.9	404.7	436.7	525.9
Trust funds.....	103.1	116.7	131.8	31.5	150.6	165.6	187.0	210.9	239.4	268.4	314.8	330.2	369.2	404.7
Interfund transactions.....	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-40.1	-44.7	-50.6	-59.9	-94.2	-75.3	-81.6	-88.7
Total budget receipts.....	263.2	279.1	298.1	81.2	355.6	399.6	463.3	517.1	599.3	617.8	597.5	659.7	724.3	841.9
Outlays:														
Federal funds.....	199.9	240.1	269.9	65.1	295.8	332.0	362.4	419.2	475.2	526.1	603.0	610.5	666.2	719.3
Trust funds.....	89.1	109.3	129.3	33.5	141.1	152.9	168.7	202.1	232.6	262.2	296.4	313.3	333.9	359.0
Interfund transactions.....	-21.1	-25.1	-34.8	-4.4	-36.3	-36.5	-40.1	-44.7	-50.6	-59.9	-94.2	-75.3	-81.6	-88.7
Total budget outlays.....	267.9	324.2	364.5	94.2	400.5	448.4	491.0	576.7	657.2	728.4	805.2	848.5	918.5	989.6
<i>Outlays, off-budget Federal entities.....</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>(21.0)</i>	<i>(17.3)</i>	<i>(17.0)</i>	<i>(14.0)</i>	<i>(10.5)</i>	<i>(9.4)</i>
<i>Outlays including off-budget.....</i>	<i>(269.4)</i>	<i>(332.3)</i>	<i>(371.8)</i>	<i>(96.0)</i>	<i>(409.2)</i>	<i>(458.7)</i>	<i>(503.5)</i>	<i>(590.9)</i>	<i>(678.2)</i>	<i>(745.7)</i>	<i>(822.2)</i>	<i>(862.5)</i>	<i>(929.0)</i>	<i>(999.0)</i>
Surplus or deficit (-):														
Federal funds.....	-18.7	-52.6	-68.8	-11.0	-54.4	-61.5	-46.0	-68.4	-64.7	-116.9	-226.1	-205.7	-229.5	-193.4
Trust funds.....	14.0	7.4	2.4	-2.0	9.5	12.7	18.3	8.8	6.8	6.3	18.4	16.9	35.3	45.7
Budget surplus or deficit (-)	-4.7	-45.2	-66.4	-13.0	-44.9	-48.8	-27.7	-59.6	-57.9	-110.6	-207.7	-188.8	-194.2	-147.7
<i>Deficit (-), off-budget Federal entities.....</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>(-21.0)</i>	<i>(-17.3)</i>	<i>(-17.0)</i>	<i>(-14.0)</i>	<i>(-10.5)</i>	<i>(-9.4)</i>
<i>Surplus or deficit (-) including off-budget.....</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>(-78.9)</i>	<i>(-127.9)</i>	<i>(-224.8)</i>	<i>(-202.8)</i>	<i>(-204.7)</i>	<i>(-157.1)</i>
Debt outstanding, end of year:														
Gross Federal debt.....	486.2	544.1	631.9	646.4	709.1	780.4	833.8	914.3	1,003.9	1,147.0	1,383.7	1,606.3	1,845.5	2,047.4
Held by the public.....	346.1	396.9	480.3	498.3	551.8	610.9	644.6	715.1	794.4	929.4	1,144.4	1,347.4	1,551.3	1,707.5

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, 1963-86

(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
1963.....	111.3	50.1	61.2	30.4	7.7	23.1	162.8	75.4	87.4	40.2	10.6	36.6
1964.....	118.6	51.5	67.1	31.6	8.2	27.3	170.3	76.1	94.2	41.1	11.1	41.9
1965.....	118.4	47.5	71.0	32.3	8.6	30.1	166.9	68.9	98.0	41.5	11.4	45.1
1966.....	134.7	54.9	79.8	36.2	9.4	34.2	183.0	76.3	106.7	45.5	12.2	49.0
1967.....	157.6	68.2	89.4	43.1	10.3	36.0	207.5	92.0	115.5	52.6	12.9	49.9
1968.....	178.1	78.8	99.4	48.7	11.1	39.6	224.6	101.2	123.4	57.7	13.5	52.2
1969.....	183.6	79.4	104.2	55.3	12.7	36.3	220.2	97.4	122.9	62.8	14.7	45.3
1970.....	195.7	78.6	117.1	63.2	14.4	39.6	220.2	90.1	130.1	68.6	15.8	45.8
1971.....	210.2	75.8	134.4	78.7	14.8	40.9	222.6	81.4	141.2	81.8	15.5	43.9
1972.....	230.7	76.6	154.1	90.8	15.5	47.9	230.7	76.6	154.1	90.8	15.5	47.9
1973.....	245.6	74.5	171.1	102.1	17.3	51.6	233.3	70.0	163.3	98.1	16.6	48.6
1974.....	267.9	77.8	190.1	117.5	21.4	51.2	236.9	68.4	168.5	104.4	19.1	45.1
1975.....	324.2	85.6	238.7	150.4	23.2	65.1	260.2	68.7	191.5	121.8	18.8	50.8
1976.....	364.5	89.4	275.0	176.6	26.7	71.7	274.3	67.1	207.2	134.9	20.3	52.1
1977.....	400.5	97.5	303.0	192.4	29.9	80.8	280.6	67.8	212.9	137.6	21.2	54.1
1978.....	448.4	105.2	343.2	206.5	35.4	101.3	293.8	68.0	225.8	138.7	23.6	63.5
1979.....	491.0	117.7	373.3	227.5	42.6	103.2	297.2	70.6	226.6	140.7	26.1	59.8
1980.....	576.7	135.9	440.8	271.1	62.5	117.2	316.7	72.7	244.1	152.4	29.5	62.2
1981.....	657.2	159.8	497.4	316.6	68.7	112.1	327.5	76.4	251.1	162.9	35.2	53.1
1982.....	728.4	187.4	541.0	348.6	84.7	107.7	338.7	81.7	257.0	168.3	40.5	48.2
1983 estimate.....	805.2	214.8	590.4	391.9	88.9	109.6	356.6	88.8	267.8	180.2	40.5	47.0
1984 estimate.....	848.5	245.3	603.2	401.0	103.2	99.0	357.5	97.7	259.9	175.1	44.6	40.1
1985 estimate.....	918.5	285.3	633.2	425.5	114.2	93.6	367.6	107.7	259.9	177.1	47.1	35.8
1986 estimate.....	989.6	323.0	666.5	453.6	122.7	90.3	377.3	116.1	261.2	180.3	48.3	32.6

Table 3. BUDGET RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1974-84

(In billions of dollars)

Description	Actual										Estimate	
	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984
RECEIPTS BY SOURCE												
Individual income taxes.....	119.0	122.4	131.6	38.8	157.6	181.0	217.8	244.1	285.9	297.7	285.2	295.6
Corporation income taxes.....	38.6	40.6	41.4	8.5	54.9	60.0	65.7	64.6	61.1	49.2	35.3	51.8
Social insurance taxes and contributions:												
Employment taxes and contributions.....	65.9	75.2	79.9	21.8	92.2	103.9	120.1	138.7	163.0	180.7	186.4	213.3
Unemployment insurance.....	6.8	6.8	8.1	2.7	11.3	13.8	15.4	15.3	15.8	16.6	19.5	24.1
Other retirement contributions.....	2.3	2.6	2.8	0.7	3.0	3.2	3.5	3.7	4.0	4.2	4.4	5.5
Total social insurance taxes and contributions.....	75.1	84.5	90.8	25.2	106.5	121.0	138.9	157.8	182.7	201.5	210.3	242.9
Excise taxes:												
Alcohol.....	5.2	5.2	5.3	1.3	5.3	5.5	5.5	5.6	5.6	5.4	5.6	5.7
Tobacco.....	2.4	2.3	2.5	0.6	2.4	2.4	2.5	2.4	2.6	2.5	4.4	5.1
Highway.....	6.3	6.2	5.4	1.7	6.7	6.9	7.2	6.6	6.3	6.7	8.5	11.4
Airport and airway.....	0.8	1.0	0.9	0.3	1.2	1.3	1.5	1.9	*	0.1	2.3	2.6
Windfall profit tax.....								6.2	23.2	18.9	14.3	12.3
Other.....	2.1	1.8	2.8	0.6	2.0	2.2	2.0	1.5	3.1	2.6	2.2	3.2
Total excise taxes.....	16.8	16.6	17.0	4.5	17.5	18.4	18.7	24.3	40.8	36.3	37.3	40.4
Estate and gift taxes.....	5.0	4.6	5.2	1.5	7.3	5.3	5.4	6.4	6.8	8.0	6.1	5.9
Customs duties.....	3.3	3.7	4.1	1.2	5.2	6.6	7.4	7.2	8.1	8.9	8.8	9.1
Miscellaneous receipts.....	5.4	6.7	8.0	1.6	6.5	7.4	9.3	12.7	13.8	16.2	14.5	14.0
Total budget receipts.....	263.2	279.1	298.1	81.2	355.6	399.6	463.3	517.1	599.3	617.8	597.5	659.7

OUTLAYS BY FUNCTION												
National defense.....	77.8	85.6	89.4	22.3	97.5	105.2	117.7	135.9	159.8	187.4	214.8	245.3
International affairs.....	5.7	6.9	5.6	2.2	4.8	5.9	6.1	10.7	11.1	10.0	11.9	13.2
General science, space, and technology.....	4.0	4.0	4.4	1.2	4.7	4.7	5.0	5.7	6.4	7.1	7.8	8.2
Energy.....	0.8	2.2	3.1	0.8	4.2	5.9	6.9	6.3	10.3	4.7	4.5	3.3
Natural resources and environment.....	5.7	7.3	8.1	2.5	10.0	10.9	12.1	13.8	13.5	12.9	12.1	9.8
Agriculture.....	2.2	1.7	2.5	0.6	5.5	7.7	6.2	4.8	5.6	14.9	21.1	12.1
Commerce and housing credit.....	3.9	5.6	3.8	1.4	0.1	3.3	2.6	7.8	3.9	3.9	1.9	0.4
Transportation.....	9.2	10.4	13.4	3.3	14.6	15.4	17.5	21.1	23.4	20.6	21.9	25.1
Community and regional development.....	4.1	3.7	4.8	1.3	6.3	11.1	9.5	10.1	9.4	7.2	7.4	7.0
Education, training, employment, and social services.....	12.3	15.9	18.7	5.2	21.0	26.5	29.7	30.8	31.4	26.3	26.7	25.3
Health.....	20.4	25.7	31.5	8.2	36.6	41.2	47.0	55.2	66.0	74.0	82.4	90.6
Income security:												
Social security.....	54.9	63.6	72.7	19.8	83.9	92.2	102.6	117.1	138.0	154.1	168.3	178.2
Other.....	29.5	44.9	54.7	13.0	54.0	54.0	57.6	76.0	87.1	94.2	114.2	104.2
Total income security.....	84.4	108.6	127.4	32.8	137.9	146.2	160.2	193.1	225.1	248.3	282.5	282.4
Veterans benefits and services.....	13.4	16.6	18.4	4.0	18.0	19.0	19.9	21.2	23.0	24.0	24.4	25.7
Administration of justice.....	2.5	2.9	3.3	.9	3.6	3.8	4.2	4.6	4.7	4.7	5.3	5.5
General government.....	3.2	3.1	2.9	.9	3.2	3.7	4.1	4.5	4.6	4.7	5.8	6.0
General purpose fiscal assistance.....	6.9	7.2	7.2	2.1	9.5	9.6	8.4	8.6	6.9	6.4	6.4	7.0
Net interest.....	21.4	23.2	26.7	6.9	29.9	35.4	42.6	52.5	68.7	84.7	88.9	103.2
Allowances.....												0.9
Undistributed offsetting receipts.....	-10.1	-6.4	-6.9	-2.3	-6.9	-7.2	-8.5	-9.9	-16.5	-13.3	-20.4	-22.8
Total budget outlays.....	267.9	324.2	364.5	94.2	400.5	448.4	491.0	576.7	657.2	728.4	805.2	848.5

*\$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.

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1974-86

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
National defense:														
Department of Defense—Military:														
Military personnel.....	23.7	25.0	25.1	6.4	25.7	27.1	28.4	30.8	36.4	42.3	45.3	47.7	49.5	51.0
Retired military personnel.....	5.1	6.2	7.3	1.9	8.2	9.2	10.3	11.9	13.7	14.9	16.1	16.8	17.4	18.4
Operation and maintenance.....	22.5	26.3	27.8	7.2	30.6	33.6	36.4	44.8	51.9	59.7	64.6	71.6	79.1	87.3
Procurement.....	15.2	16.0	16.0	3.8	18.2	20.0	25.4	29.0	35.2	43.3	55.2	68.2	85.9	103.7
Research and development.....	8.6	8.9	8.9	2.2	9.8	10.5	11.2	13.1	15.3	17.7	21.4	26.3	30.0	32.6
Military construction and other.....	2.4	2.5	2.8	0.4	3.1	2.7	3.3	3.2	3.6	4.9	6.2	7.9	15.6	22.0
Subtotal, Department of Defense—Military....	77.6	84.9	87.9	21.9	95.6	103.0	115.0	132.8	156.1	182.9	208.9	238.6	277.5	314.9
Atomic energy defense activities.....	1.5	1.5	1.6	0.4	1.9	2.1	2.5	2.9	3.4	4.3	5.5	6.4	7.4	7.7
Defense-related activities.....	-1.2	-0.8	—*	—*	—*	0.1	0.1	0.1	0.3	0.3	0.4	0.3	0.3	0.4
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total national defense.....	77.8	85.6	89.4	22.3	97.5	105.2	117.7	135.9	159.8	187.4	214.8	245.3	285.3	323.0
International affairs:														
Foreign economic and financial assistance.....	2.5	3.2	2.7	1.1	2.8	2.7	3.0	3.7	4.2	3.9	4.3	4.5	4.4	4.2
International security assistance.....	1.8	2.4	1.8	1.2	1.6	2.4	2.3	2.8	3.1	3.1	4.0	4.6	4.8	4.9
Conduct of foreign affairs.....	0.6	0.7	0.7	0.3	1.0	1.1	1.3	1.4	1.3	1.6	1.7	2.0	2.2	2.3
Foreign information and exchange activities.....	0.3	0.3	0.4	0.1	0.4	0.4	0.5	0.5	0.5	0.6	0.7	0.8	0.9	1.1
International financial programs.....	0.5	0.4	*	-0.5	-0.9	-0.6	-0.9	2.4	2.0	0.9	1.3	1.4	0.8	0.6
Deductions for offsetting receipts.....	-0.1	-0.1	-0.1	—*	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Total international affairs.....	5.7	6.9	5.6	2.2	4.8	5.9	6.1	10.7	11.1	10.0	11.9	13.2	13.0	12.9

General science, space, and technology:														
General science and basic research	1.0	1.0	1.0	0.3	1.1	1.2	1.3	1.4	1.5	1.6	1.6	1.9	2.1	2.1
Space flight	1.7	1.7	2.0	0.5	2.3	2.3	2.2	2.6	3.1	3.5	4.0	4.0	3.8	3.2
Space science, applications, and technology	0.9	1.0	1.0	0.3	1.0	1.0	1.2	1.3	1.4	1.5	1.5	1.6	1.8	1.8
Supporting space activities	0.3	0.3	0.4	0.1	0.3	0.4	0.4	0.4	0.4	0.5	0.6	0.8	0.8	0.8
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total general science, space, and technology	4.0	4.0	4.4	1.2	4.7	4.7	5.0	5.7	6.4	7.1	7.8	8.2	8.4	7.9
Energy:														
Energy supply	0.5	1.7	2.5	0.6	3.3	4.0	4.9	4.6	5.4	3.2	2.8	2.1	1.7	2.0
Energy conservation	*	*	0.1	*	0.1	0.2	0.3	0.6	0.8	0.5	0.7	0.3	0.1	0.1
Emergency energy preparedness		*	0.1	*	0.1	0.9	1.0	0.3	3.3	0.2	0.3	0.2	0.2	0.1
Energy information, policy, and regulation	0.3	0.4	0.6	0.1	0.7	0.8	0.7	0.9	1.0	0.9	0.9	0.7	0.7	0.7
Deductions for offsetting receipts	—*	—*	—0.1	—*	—*	—*	—0.1	—0.1	—0.1	—0.1	—0.1	—0.1	—0.1	—0.1
Total energy	0.8	2.2	3.1	0.8	4.2	5.9	6.9	6.3	10.3	4.7	4.5	3.3	2.7	2.8
Natural resources and environment:														
Water resources	2.2	2.6	2.8	0.8	3.2	3.5	3.9	4.3	4.2	4.0	4.0	3.3	3.5	3.6
Conservation and land management	0.7	1.3	1.2	0.5	1.3	2.0	1.9	2.3	2.6	2.7	2.7	2.2	2.1	2.1
Recreational resources	0.7	0.8	0.9	0.3	1.0	1.4	1.5	1.7	1.6	1.5	1.7	1.5	1.4	1.3
Pollution control and abatement	2.0	2.5	3.1	1.1	4.3	4.0	4.7	5.5	5.2	5.0	4.3	4.1	4.0	3.8
Other natural resources	0.7	0.8	0.9	0.2	1.0	1.2	1.3	1.4	1.5	1.5	1.6	1.4	1.4	1.4
Deductions for offsetting receipts	—0.7	—0.7	—0.8	—0.3	—0.8	—1.1	—1.2	—1.4	—1.6	—1.9	—2.1	—2.6	—3.1	—3.5
Total natural resources and environment	5.7	7.3	8.1	2.5	10.0	10.9	12.1	13.8	13.5	12.9	12.1	9.8	9.3	8.7

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1974-86—Continued

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Agriculture:														
Farm income stabilization	1.5	0.8	1.6	0.3	4.5	6.6	4.8	3.5	4.0	13.3	19.4	10.5	9.1	7.9
Agricultural research and services	0.8	0.9	0.9	0.2	1.1	1.1	1.3	1.4	1.5	1.6	1.7	1.7	1.6	1.6
Deductions for offsetting receipts	—*	—*	*	*	—*	*	*	—0.1	*	—*	—*	—*	—*	—*
Total agriculture	2.2	1.7	2.5	0.6	5.5	7.7	6.2	4.8	5.6	14.9	21.1	12.1	10.7	9.5
Commerce and housing credit:														
Mortgage credit and thrift insurance	1.5	2.8	1.2	0.3	—3.3	0.2	—0.7	3.7	0.7	1.2	—0.6	—1.4	—4.1	—4.5
Postal Service	1.7	1.9	1.7	0.9	2.3	1.8	1.8	1.7	1.3	0.7	0.8	0.4	0.4	0.4
Other advancement of commerce	0.7	0.9	0.9	0.2	1.1	1.3	1.5	2.4	2.0	1.9	1.8	1.4	1.4	1.4
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	*	—*	—*	—*	—*	—*	—*	—*
Total commerce and housing credit	3.9	5.6	3.8	1.4	0.1	3.3	2.6	7.8	3.9	3.9	1.9	0.4	—2.3	—2.8
Transportation:														
Ground transportation	5.6	6.5	9.3	2.3	10.0	10.4	12.1	15.1	17.1	14.3	14.6	17.2	17.9	18.2
Air transportation	2.2	2.4	2.6	0.6	2.8	3.3	3.4	3.8	3.8	3.6	4.2	4.8	5.2	5.4
Water transportation	1.4	1.5	1.6	0.4	1.7	1.9	2.0	2.2	2.4	2.7	3.1	3.0	3.1	3.2
Other transportation	0.1	0.1	0.1	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Deductions for offsetting receipts	—0.1	—0.1	—*	—*	—*	—0.1	—0.1	—0.1	—0.1	—0.1	—0.1	—0.1	—0.1	—0.1
Total transportation	9.2	10.4	13.4	3.3	14.6	15.4	17.5	21.1	23.4	20.6	21.9	25.1	26.2	27.0

Community and regional development:														
Community development.....	2.1	2.3	2.8	0.9	3.4	3.3	4.0	4.9	5.1	4.6	4.5	4.4	4.3	4.3
Area and regional development.....	1.3	1.1	1.5	0.4	2.3	4.9	4.0	3.2	2.7	2.7	2.8	2.4	2.4	2.2
Disaster relief and insurance.....	0.8	0.4	0.5	0.1	0.6	2.9	1.6	2.0	1.6	-0.1	0.1	0.1	0.3	0.2
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total community and regional development.....	4.1	3.7	4.8	1.3	6.3	11.1	9.5	10.1	9.4	7.2	7.4	7.0	7.0	6.8
Education, training, employment, and social services:														
Elementary, secondary, and vocational education.....	3.3	4.2	4.2	1.1	4.6	5.1	6.0	6.7	7.0	6.8	6.5	6.4	6.1	6.0
Higher education.....	1.3	2.0	2.7	0.7	3.1	3.5	4.5	5.7	6.8	6.5	6.7	6.1	6.3	6.0
Research and general education aids.....	0.9	0.9	0.8	0.2	0.9	1.1	1.2	1.4	1.2	1.0	1.1	1.0	0.9	0.8
Training and employment.....	2.9	4.1	6.3	1.9	6.9	10.8	10.8	10.3	9.2	5.5	5.2	4.7	4.6	4.6
Other labor services.....	0.2	0.3	0.3	0.1	0.4	0.4	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Social services.....	3.7	4.4	4.5	1.2	5.1	5.6	6.6	6.1	6.5	6.0	6.5	6.4	6.6	6.7
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	-0.1	-0.1	-0.1
Total education, training, employment, and social services.....	12.3	15.9	18.7	5.2	21.0	26.5	29.7	30.8	31.4	26.3	26.7	25.3	25.1	24.8
Health:														
Health care services.....	17.3	22.3	27.5	7.2	32.3	36.7	42.5	50.1	60.4	68.4	76.5	84.9	94.7	103.8
Health research.....	1.7	1.9	2.3	0.5	2.5	2.8	3.0	3.4	3.8	3.9	4.2	4.3	4.3	4.3
Education and training of health care work force.....	0.8	0.9	1.0	0.3	1.0	0.9	0.6	0.7	0.8	0.7	0.6	0.4	0.4	0.4
Consumer and occupational health and safety.....	0.5	0.6	0.7	0.2	0.7	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Deductions for offsetting receipts.....	—*	—*	—*	—*	—*	—*	—*	—*	—*	*	—*	—*	—*	—*
Total health.....	20.4	25.7	31.5	8.2	36.6	41.2	47.0	55.2	66.0	74.0	82.4	90.6	100.5	109.6

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1974-86—Continued

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1974	1975	1976	TQ *	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Income security:														
General retirement and disability insurance	58.6	69.3	77.2	20.9	88.6	97.2	108.5	123.7	145.0	161.8	176.2	185.7	198.5	213.6
Federal employee retirement and disability	5.6	7.0	8.2	2.3	9.5	10.7	12.4	14.7	17.5	19.4	20.9	22.2	23.1	25.0
Unemployment compensation	6.1	13.5	19.5	4.0	15.3	11.8	10.7	18.0	19.7	23.8	36.9	28.8	25.9	24.7
Housing assistance	1.8	2.1	2.5	0.7	3.0	3.7	4.4	5.5	6.9	8.0	9.6	10.8	11.9	12.5
Food and nutrition assistance	4.4	6.6	8.0	1.8	8.5	8.9	10.8	14.0	16.2	15.6	17.8	16.3	16.3	16.6
Other income security	7.9	10.1	12.2	3.1	13.0	13.9	13.4	17.2	19.7	19.8	21.1	18.7	18.9	19.0
Total income security	84.4	108.6	127.4	32.8	137.9	146.2	160.2	193.1	225.1	248.3	282.5	282.4	294.6	311.4
Veterans benefits and services:														
Income security for veterans	6.8	7.9	8.4	2.1	9.2	9.7	10.8	11.7	12.9	13.7	14.2	14.6	15.2	15.7
Veterans education, training, and rehabilitation	3.2	4.6	5.5	0.8	3.7	3.4	2.8	2.3	2.3	1.9	1.6	1.3	1.1	0.9
Hospital and medical care for veterans	3.0	3.7	4.0	1.0	4.7	5.3	5.6	6.5	7.0	7.5	8.3	8.9	9.3	9.7
Veterans housing	—*	*	—0.1	—*	—0.1	*	0.2	—*	0.2	0.1	—0.5	0.1	0.1	0.1
Other veterans benefits and services	0.4	0.5	0.6	0.1	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total veterans benefits and services	13.4	16.6	18.4	4.0	18.0	19.0	19.9	21.2	23.0	24.0	24.4	25.7	26.5	27.2
Administration of justice:														
Federal law enforcement activities	1.1	1.3	1.5	0.4	1.7	1.8	2.0	2.2	2.4	2.5	3.0	3.3	3.2	3.2
Federal litigative and judicial activities	0.4	0.5	0.7	0.2	0.8	0.9	1.1	1.3	1.5	1.5	1.7	1.6	1.6	1.6
Federal correctional activities	0.2	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5
Criminal justice assistance	0.8	0.9	0.9	0.2	0.8	0.7	0.7	0.7	0.5	0.3	0.2	0.2	0.2	0.1
Deductions for offsetting receipts	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*	—*
Total administration of justice	2.5	2.9	3.3	0.9	3.6	3.8	4.2	4.6	4.7	4.7	5.3	5.5	5.5	5.5

General government:														
Legislative functions	0.5	0.6	0.7	0.2	0.8	0.9	0.9	1.0	1.0	1.2	1.3	1.3	1.3	1.4
Executive direction and management	0.1	0.1	0.1	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Central fiscal operations	1.3	1.8	1.8	0.4	1.8	2.1	2.3	2.5	2.6	2.7	3.3	3.5	3.6	3.7
General property and records management	1.0	0.4	0.1	0.1	0.1	0.2	0.2	0.4	0.2	0.3	0.6	0.4	0.5	0.4
Central personnel management	0.1	0.1	0.1	*	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.2	0.2	0.2
Other general government	0.4	0.4	0.4	0.2	0.4	0.4	0.5	0.6	0.7	0.5	0.6	0.7	0.5	0.5
Deductions for offsetting receipts	-0.2	-0.2	-0.2	-0.1	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Total general government	3.2	3.1	2.9	0.9	3.2	3.7	4.1	4.5	4.6	4.7	5.8	6.0	6.0	6.1
General purpose fiscal assistance:														
General revenue sharing	6.1	6.1	6.2	1.6	6.8	6.8	6.9	6.8	5.1	4.6	4.6	4.6	4.6	4.6
Other general purpose fiscal assistance	0.8	1.1	1.0	0.5	2.7	2.8	1.5	1.7	1.7	1.8	1.8	2.4	2.3	2.5
Total general purpose fiscal assistance	6.9	7.2	7.2	2.1	9.5	9.6	8.4	8.6	6.9	6.4	6.4	7.0	6.8	7.1
Net interest:														
Interest on the public debt	29.3	32.7	37.1	8.1	41.9	48.7	59.8	74.8	95.5	117.2	128.1	144.5	164.7	179.4
Interest received by trust funds	-6.6	-7.7	-7.8	-0.3	-8.1	-8.5	-10.0	-12.0	-13.8	-16.1	-16.3	-16.9	-23.0	-28.1
Other interest	-1.3	-1.8	-2.6	-0.9	-3.9	-4.7	-7.3	-10.3	-13.0	-16.4	-22.8	-24.5	-27.5	-28.6
Total net interest	21.4	23.2	26.7	6.9	29.9	35.4	42.6	52.5	68.7	84.7	88.9	103.2	114.2	122.7
Allowances:														
Civilian agency pay raises													1.8	3.8
Contingencies for other requirements														
Increased employing agency payments for employee retirement												0.9	1.9	1.9
Total allowances												0.9	3.7	5.7
Undistributed offsetting receipts:														
Employer share, employee retirement	-3.3	-4.0	-4.2	-1.0	-4.5	-5.0	-5.3	-5.8	-6.4	-7.0	-8.2	-9.9	-11.5	-12.0
Rents and royalties on the Outer Continental Shelf	-6.7	-2.4	-2.7	-1.3	-2.4	-2.3	-3.3	-4.1	-10.1	-6.2	-11.8	-11.9	-12.2	-13.4
Federal surplus property disposition											-0.4	-1.0	-0.9	-1.0
Total undistributed offsetting receipts	-10.1	-6.4	-6.9	-2.3	-6.9	-7.2	-8.5	-9.9	-16.5	-13.3	-20.4	-22.8	-24.6	-26.4
Total budget outlays	267.9	324.2	364.5	94.2	400.5	448.4	491.0	576.7	657.2	728.4	805.2	848.5	918.5	989.6

Table 4. BUDGET OUTLAYS BY FUNCTION AND SUBFUNCTION, 1974-86—Continued

(In billions of dollars)

Function and subfunction	Actual										Estimate			
	1974	1975	1976	TQ ¹	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
<i>Outlays of off-budget Federal entities:</i>														
<i>International affairs</i>		0.1	0.8	0.2	1.4	1.5	1.3	1.9	1.9	2.3	2.8	4.2	3.5	3.4
<i>General science, space and technology</i>					0.1	0.2	0.2	0.1	0.1	0.1	0.2	-0.1	-0.1	-0.1
<i>Energy</i>	0.5	0.7	1.1	0.3	1.6	2.2	2.3	3.8	4.9	8.8	7.9	7.1	6.7	5.9
<i>Agriculture</i>		1.4	0.7	0.4	1.2	3.6	5.0	4.0	5.8	1.1	0.8	-0.1	-0.2	-0.2
<i>Commerce and housing credit:</i>														
<i>Postal Service</i>	0.8	1.1	1.1	-0.7	-0.2	-0.5	-0.9	-0.4	0.1	-0.6	0.9	1.9	-0.2	-0.1
<i>Mortgage credit and other</i>		3.2	2.7	0.3	3.2	3.4	3.0	2.0	4.2	2.9	2.9	0.3	0.3	0.3
<i>Subtotal, commerce and housing credit</i>	0.8	4.3	3.8	-0.5	3.0	2.9	2.1	1.6	4.3	2.4	3.8	2.1	0.1	0.2
<i>Transportation</i>		0.5	0.3	0.1	0.2	0.1	0.1	0.2	—*	0.1	—*	—*	—*	—*
<i>Community and regional development</i>	0.1	0.6	0.7	0.2	0.7	0.8	0.9	1.2	1.2	1.2	1.0	0.9	0.5	0.3
<i>Education</i>	0.1	0.1	0.2	*	0.1	0.2	0.5	1.1	2.0	0.7				
<i>Health</i>	*	0.1	0.1	*	0.1	*	*	*	*	*	—*	*	*	—*
<i>Income security</i>								0.1	0.8	0.7	0.6	—*	—*	—*
<i>General government</i>		0.2	-0.2	-0.1	0.2	*	—*	0.2	0.1	—*	*	—*	—*	—*
<i>General purpose fiscal assistance</i>				1.1	0.1	-1.2								
<i>Total outlays of off-budget Federal entities</i>	1.4	8.1	7.3	1.8	8.7	10.4	12.5	14.2	21.0	17.3	17.0	14.0	10.5	9.4
<i>Total outlays including off-budget Federal entities</i>	269.4	332.3	371.8	96.0	409.2	458.7	503.5	590.9	678.2	745.7	822.2	862.5	929.0	999.0

* \$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.

Table 5. BUDGET OUTLAYS BY AGENCY, 1982-88

(In billions of dollars)

	1982 actual	Estimate					
		1983	1984	1985	1986	1987	1988
Budget outlays by agency:							
Legislative branch.....	1.4	1.5	1.6	1.6	1.6	1.6	1.7
The Judiciary .....	.7	.8	.9	.9	.9	.9	.9
Executive Office of the President.....	.1	.1	.1	.1	.1	.1	.1
Funds appropriated to the President.....	6.1	7.3	7.9	8.1	8.0	8.0	7.9
Agriculture.....	36.2	45.0	35.0	32.9	32.4	32.9	33.1
Commerce.....	2.0	2.0	1.7	1.6	1.5	1.6	1.6
Defense—Military ¹	182.9	208.9	238.6	277.5	314.9	345.6	377.0
Defense—Civil.....	3.0	2.9	2.2	2.2	2.3	2.4	2.6
Education.....	14.1	14.4	13.5	13.4	13.0	12.9	13.0
Energy	7.6	8.7	8.8	9.6	10.1	10.7	10.7
Health and Human Services.....	251.3	274.4	288.8	312.6	336.2	363.0	392.3
Housing and Urban Development	14.5	14.9	13.7	12.8	12.9	14.0	14.8
Interior	3.9	4.0	3.6	2.9	2.4	3.3	3.4
Justice.....	2.6	3.0	3.3	3.3	3.3	3.3	3.3
Labor	30.7	43.0	34.3	30.5	28.9	28.0	27.3
State	2.2	2.3	2.6	2.7	2.8	2.9	3.0
Transportation ²	19.9	21.2	24.4	25.5	26.3	27.1	27.5
Treasury	110.5	118.0	135.0	152.2	167.2	179.0	189.4
Environmental Protection Agency.....	5.1	4.4	4.1	4.0	3.8	3.6	3.4
National Aeronautics and Space Adminis- tration.....	6.0	6.7	7.0	7.0	6.4	6.3	5.7
Veterans Administration	23.9	24.4	25.7	26.4	27.1	27.8	28.7
Office of Personnel Management	20.0	21.5	23.2	24.2	25.9	27.5	29.2
Other agencies.....	13.1	12.5	11.4	10.4	10.3	9.6	9.3
Allowances ³.....			.9	3.7	5.7	7.7	9.8
Undistributed offsetting receipts.....	—29.3	—36.8	—39.6	—47.7	—54.5	—61.4	—68.7
Total budget outlays	728.4	805.2	848.5	918.5	989.6	1,058.4	1,126.9
Budget surplus or deficit(—).....	—110.6	—207.7	—188.8	—194.2	—147.7	—142.1	—116.7

¹ Includes allowances for civilian and military pay raises for Department of Defense.² Includes allowances for military pay raises for the Coast Guard.³ Includes allowances for civilian agency pay raises and increased employing agency payments for employee retirement.

Table 6. NEW DIRECT LOAN OBLIGATIONS BY AGENCY, 1982-84

(In millions of dollars)

	1982 actual	1983 estimate	1984 estimate
ON-BUDGET AGENCIES			
Funds Appropriated to the President	1,798	2,344	2,186
Agriculture	27,669	27,441	19,831
Commerce	17	11	.....
Education	504	570	424
Energy	4	40	40
Health and Human Services	27	47	16
Housing and Urban Development	4,043	2,565	1,769
Interior	31	57	56
Labor	*	3	*
State	1	1	1
Transportation	138	183	62
Veterans Administration	874	849	885
Other independent agencies:			
District of Columbia	285	295	115
Export-Import Bank	3,516	3,830	3,830
Federal Home Loan Bank Board	37	.....	.....
National Consumer Cooperative Bank	11	.....	.....
National Credit Union Administration	104	119	115
Small Business Administration	920	1,190	953
Tennessee Valley Authority	77	89	99
Subtotal, on-budget agencies	40,057	39,633	30,383
OFF-BUDGET FEDERAL ENTITIES			
Rural Electrification Administration	1,284	1,286	760
Federal Financing Bank (FFB)	26,232	26,465	21,771
United States Railway Association .....	*	.....	.....
Subtotal, off-budget Federal entities	27,516	27,751	22,531
Subtotal, on- and off-budget	67,574	67,383	52,914
Less:			
Loan assets sold to the FFB	-12,630	-11,408	-7,406
Repurchases of loan assets from the FFB	-7,387	-6,909	-6,682
Total	47,556	49,067	38,827

* Less than \$500 thousand.

Table 7. NEW GUARANTEED LOAN COMMITMENTS BY AGENCY, 1982-84

(In millions of dollars)

Department or other unit	1982 actual	1983 estimate	1984 estimate
Funds Appropriated to the President	3,304	4,433	4,736
Agriculture ¹	19,489	21,383	13,879
Commerce	53	29	
Defense	25		
Education	6,895	6,778	7,391
Energy		153	172
Health and Human Services	217	254	187
Housing and Urban Development	68,422	129,012	113,159
Interior	28	16	19
Transportation	698	728	615
Treasury	600		
National Aeronautics and Space Administration	146	205	37
Veterans Administration	5,983	18,648	19,875
Other independent agencies:			
Export-Import Bank	5,832	8,000	10,000
General Services Administration	12		
National Credit Union Administration	34	30	28
Small Business Administration	2,075	2,800	2,800
Tennessee Valley Authority	4,513	5,412	6,258
Subtotal, guaranteed loans (gross)	118,325	197,882	179,155
Less:			
Secondary guarantee loans	- 36,382	- 68,250	- 58,650
Guaranteed loans held as direct loans	- 28,217	- 26,966	- 21,771
Total	53,726	102,667	98,734

¹Includes Rural Electrification Administration off-budget activities as follows: 1982, \$5,640 million; 1983, \$5,310 million; 1984, \$3,825 million.

Table 8. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1965-86

(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
1965.....	659.5	116.8	17.7	118.4	18.0	.....	.....	118.4	17.9	—1.6	.2	—1.6	.2	323.2	49.0	361.6	39.6
1966.....	724.1	130.9	18.1	134.7	18.6	.....	.....	134.7	18.6	—3.8	.5	—3.8	.5	329.5	45.5	264.7	36.5
1967.....	777.3	148.9	19.2	157.6	20.3	.....	.....	157.6	20.3	—8.7	1.1	—8.7	1.1	341.3	43.9	267.5	34.5
1968.....	831.3	153.0	18.4	178.1	21.4	.....	.....	178.1	21.4	—25.2	3.0	—25.2	3.0	369.8	44.5	290.6	34.8
1969.....	910.6	186.9	20.5	183.6	20.2	.....	.....	183.6	20.2	3.2	.4	3.2	.4	367.1	40.3	279.5	30.7
1970.....	968.8	192.8	19.9	195.7	20.2	.....	.....	195.7	20.2	—2.8	.3	—2.8	.3	382.6	39.5	284.9	29.4
1971.....	1,031.5	187.1	18.1	210.2	20.4	.....	.....	210.2	20.4	—23.0	2.2	—23.0	2.2	409.5	39.7	304.3	29.5
1972.....	1,128.8	207.3	18.4	230.7	20.4	.....	.....	230.7	20.4	—23.4	2.1	—23.4	2.1	437.3	38.7	323.8	28.7
1973.....	1,252.0	230.8	18.4	245.6	19.6	.1	*	245.7	19.6	—14.8	1.2	—14.9	1.2	468.4	37.4	343.0	27.4
1974.....	1,379.4	263.2	19.1	267.9	19.4	1.4	.1	269.4	19.5	—4.7	.3	—6.1	.4	486.2	35.3	346.1	25.1
1975.....	1,479.9	279.1	18.9	324.2	21.9	8.1	.6	332.3	22.5	—45.2	3.1	—53.2	3.6	544.1	36.8	396.9	26.8
1976.....	1,640.1	298.1	18.2	364.5	22.2	7.3	.4	371.8	22.7	—66.4	4.0	—73.7	4.5	631.9	38.5	480.3	29.3
1977.....	1,862.8	355.6	19.1	400.5	21.5	8.7	.5	409.2	22.0	—44.9	2.4	—53.6	2.9	709.1	38.1	551.8	29.6
1978.....	2,091.3	399.6	19.1	448.4	21.4	10.4	.5	458.7	21.9	—48.8	2.3	—59.2	2.8	780.4	37.3	610.9	29.2
1979.....	2,357.7	463.3	19.7	491.0	20.8	12.5	.5	503.5	21.4	—27.7	1.2	—40.2	1.7	833.8	35.4	644.6	27.3
1980.....	2,573.9	517.1	20.1	576.7	22.4	14.2	.6	590.9	23.0	—59.6	2.3	—73.8	2.9	914.3	35.5	715.1	27.9
1981.....	2,871.8	559.3	20.9	657.2	22.9	21.0	.7	678.2	23.6	—57.9	2.0	—78.9	2.8	1,003.9	35.0	794.4	27.8
1982.....	3,033.0	617.8	20.4	728.4	24.0	17.3	.6	745.7	24.6	—110.7	3.6	—127.9	4.2	1,147.0	37.8	929.4	30.6
1983 estimate.....	3,193.7	597.5	18.7	805.2	25.2	17.0	.5	822.2	25.7	—207.7	6.5	—224.8	7.0	1,383.7	43.3	1,144.4	35.8
1984 estimate.....	3,488.7	659.7	18.9	848.5	24.3	14.0	.4	862.5	24.7	—188.8	5.4	—202.8	5.8	1,606.3	46.0	1,347.4	38.6
1985 estimate.....	3,806.7	724.3	19.0	918.5	24.1	10.5	.3	929.0	24.4	—194.2	5.1	—204.7	5.4	1,845.5	48.5	1,551.3	40.8
1986 estimate.....	4,144.6	841.9	20.3	989.6	23.9	9.4	.2	999.0	24.1	—147.7	3.6	—157.1	3.8	2,047.4	49.4	1,707.5	41.2

*0.05% or less.

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

Table 9. FULL-TIME EQUIVALENT OF TOTAL FEDERAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH,¹ 1982-85

(Excluding the Postal Service)

	Fiscal year				
	1982 revised Budget estimate ²	1982 actual ³	1983 estimate	1984 estimate	1985 estimate
Agriculture	121,000	111,853	111,000	108,900	106,900
Commerce	36,300	32,437	35,400	33,100	33,800
Defense—civil functions	32,100	31,263	30,600	28,900	28,900
Education	6,600	5,639	5,500	5,300	5,200
Energy	18,700	17,920	16,700	15,800	15,800
Health and Human Services	154,000	141,548	142,000	137,900	134,000
Housing and Urban Development	15,700	14,609	14,000	12,700	12,700
Interior	81,700	73,220	74,900	73,500	73,500
Justice	54,400	53,876	56,900	58,200	58,800
Labor	21,600	19,184	19,400	19,300	18,800
State	22,900	23,545	23,900	24,400	24,400
Transportation	68,100	60,340	62,600	62,500	62,500
Treasury	124,300	115,829	127,100	126,300	126,000
Environmental Protection Agency	12,900	11,450	10,900	10,400	10,400
National Aeronautics and Space Administration	22,700	22,430	22,000	22,000	22,000
Veterans Administration	209,600	215,321	217,100	219,000	220,600
Other:					
Agency for International Development	* 5,600	5,385	5,400	5,300	5,100
General Services Administration	32,800	30,168	29,600	29,100	29,100
Nuclear Regulatory Commission	3,400	3,468	3,400	3,400	3,300
Office of Personnel Management	6,600	5,996	5,900	5,800	5,800
Panama Canal Commission	9,100	8,708	8,900	8,900	8,900
Small Business Administration	4,700	4,340	4,300	4,100	3,900
Tennessee Valley Authority	44,700	41,230	40,600	39,600	40,000
United States Information Agency	7,600	7,805	8,100	8,500	8,500
Miscellaneous	45,000	40,118	40,400	40,100	39,900
Contingencies	1,000				
Estimated nondefense lapse			—15,000	—15,000	—15,000
Subtotal	1,163,100	1,097,682	1,101,600	1,088,000	1,083,800
Defense—military functions ⁴	937,700	978,081	968,800	989,900	992,000
Total	2,100,800	2,075,763	2,070,400	2,077,900	2,075,800

¹ Excludes developmental positions under the Worker-Trainee Opportunity Program (WTOP) as well as certain statutory exemptions.

² As contained in the revised 1982 Budget, transmitted to the Congress in March 1981.

³ Data are estimated for portions of Defense-civil functions as well as for the Federal Reserve System, Board of Governors, the International Trade Commission, and the Merit Systems Protection Board.

⁴ Section 904 of the 1982 Defense Authorization Act (Public Law 97-86) exempts the Department of Defense from full-time equivalent employment controls. Data shown are estimated.

Table 10. BUDGET RECEIPTS AND OUTLAYS, 1789-1986 ¹ (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	1961.....	94,389	97,795	- 3,406
1850-1900 ...	14,462	15,453	- 991	1962.....	99,676	106,813	- 7,137
1901-1905 ...	2,797	2,678	+ 119	1963.....	106,560	111,311	- 4,751
1906-1910 ...	3,143	3,196	- 52	1964.....	112,662	118,584	- 5,922
1911-1915 ...	3,517	3,568	- 49	1965.....	116,833	118,430	- 1,596
1916-1920 ...	17,286	40,195	- 22,909	1966.....	130,856	134,652	- 3,796
1921.....	5,571	5,062	+ 509	1967.....	148,906	157,608	- 8,702
1922.....	4,026	3,289	+ 736	1968.....	152,973	178,134	- 25,161
1923.....	3,853	3,140	+ 713	1969.....	186,882	183,645	+ 3,236
1924.....	3,871	2,908	+ 963	1970.....	192,807	195,652	- 2,845
1925.....	3,641	2,924	+ 717	1971.....	187,139	210,172	- 23,033
1926.....	3,795	2,930	+ 865	1972.....	207,309	230,681	- 23,373
1927.....	4,013	2,857	+ 1,155	1973.....	230,799	245,647	- 14,849
1928.....	3,900	2,961	+ 939	1974.....	263,224	267,912	- 4,688
1929.....	3,862	3,127	+ 734	1975.....	279,090	324,245	- 45,154
1930.....	4,058	3,320	+ 738	1976.....	298,060	364,473	- 66,413
1931.....	3,116	3,577	- 462	TQ ²	81,232	94,188	- 12,956
1932.....	1,924	4,659	- 2,735	1977.....	355,559	400,506	- 44,948
1933.....	1,997	4,598	- 2,602	1978.....	399,561	448,368	- 48,807
1934.....	3,015	6,645	- 3,630	1979.....	463,302	490,997	- 27,694
1935.....	3,706	6,497	- 2,791	1980.....	517,112	576,675	- 59,563
1936.....	3,997	8,422	- 4,425	1981.....	599,272	657,204	- 57,932
1937.....	4,956	7,733	- 2,777	1982.....	617,766	728,375	- 110,609
1938.....	5,588	6,765	- 1,177	1983 est.....	597,494	805,202	- 207,708
1939.....	4,979	8,841	- 3,862	1984 est.....	659,702	848,483	- 188,781
1940.....	6,361	9,456	- 3,095	1985 est.....	724,318	918,515	- 194,197
1941.....	8,621	13,634	- 5,013	1986 est.....	841,879	989,571	- 147,692
1942.....	14,350	35,114	- 20,764	<i>Totals, including outlays of off-budget Federal entities ³</i>			
1943.....	23,649	78,533	- 54,884	Fiscal year	Outlays of off-budget Federal entities	Total outlays	Total budget surplus or deficit (—)
1944.....	44,276	91,280	- 47,004	1973.....	60	245,707	- 14,908
1945.....	45,216	92,690	- 47,474	1974.....	1,447	269,359	- 6,135
1946.....	39,327	55,183	- 15,856	1975.....	8,088	332,332	- 53,242
1947.....	38,394	34,532	+ 3,862	1976.....	7,307	371,779	- 73,719
1948.....	41,774	29,773	+ 12,001	TQ.....	1,785	95,973	- 14,741
1949.....	39,437	38,834	+ 603	1977.....	8,700	409,206	- 53,647
1950.....	39,485	42,597	- 3,112	1978.....	10,359	458,726	- 59,166
1951.....	51,646	45,546	+ 6,100	1979.....	12,467	503,464	- 40,162
1952.....	66,204	67,721	- 1,517	1980.....	14,245	590,920	- 73,808
1953.....	69,574	76,107	- 6,533	1981.....	21,005	678,209	- 78,936
1954.....	69,719	70,890	- 1,170	1982.....	17,331	745,706	- 127,940
1955.....	65,469	68,509	- 3,041	1983 est.....	17,045	822,248	- 224,754
1956.....	74,547	70,460	+ 4,087	1984 est.....	14,042	862,524	- 202,822
1957.....	79,990	76,741	+ 3,249	1985 est.....	10,462	928,978	- 204,660
1958.....	79,636	82,575	- 2,939	1986 est.....	9,447	999,018	- 157,139
1959.....	79,249	92,104	- 12,855				
1960.....	92,492	92,223	+ 269				

¹ Data for 1789-1939 are for the administrative budget data for 1940 and all following years are for the unified budget.² 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, 1976.³ Off-budget Federal entity outlays begin in 1973.

GLOSSARY

AUTHORIZING LEGISLATION—Legislation enacted by the Congress to set up or continue the operation of a Federal program or agency. Authorizing legislation is normally a prerequisite for subsequent appropriations, but does not usually provide budget authority (see below).

BUDGET AMENDMENT—A proposal that the President transmits to the Congress to revise his budget request 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, by the timing of congressional action, or by the manner of determining the amount available. The basic forms of budget authority are:

Appropriations—Authority that permits Federal agencies to incur obligations and to make payments.

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

Contract authority—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 and contributions. 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—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 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 those activities has not been enacted by the beginning of the fiscal year.

CURRENT SERVICES ESTIMATES—Estimates of receipts, outlays and budget authority for upcoming fiscal years that assume no policy changes from the year in progress. The estimates do show the effects of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and changes required under existing law.

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 revolving funds, and intragovernmental funds. The major Federal fund is the general fund, which is derived from general taxes and borrowing. The other form of Federal

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

FISCAL YEAR—The Federal Government's yearly accounting period, 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 1984 begins on October 1, 1983, and ends on September 30, 1984. (From 1844 to 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).

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—Federal organizations or programs that belong in the budget under current budget accounting concepts but that have been excluded from the budget totals under provisions of law.

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 Government accounts or from the public through activities that are of a business-type or market-oriented nature. Offsetting receipts are classified as intragovernmental transactions or proprietary receipts from the public.

OUTLAYS—Checks issued or cash disbursed. Outlays include interest accrued on the public debt, or other forms of payment, net of refunds and reimbursements.

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

RESCISSION—A legislative action canceling budget authority previously provided by the Congress.

SUPPLEMENTAL APPROPRIATION—An appropriation enacted subsequent to a regular annual appropriation act. Supplemental appropriation acts provide additional budget authority 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—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 deferral of tax liability. Tax expenditures frequently have results similar to spending programs, loan guarantees, or regulations.

TRUST FUNDS—Amounts collected and used by the Federal Government for carrying out specific purposes and programs according to a statute or trust agreement, 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 needed immediately are generally invested in Government securities and earn interest for the trust fund.

THE BUDGET DOCUMENTS

Budget of the United States Government, 1984 contains the Budget Message of the President and presents an overview of the President's budget proposals. It includes explanations of spending programs in terms of national needs, agency missions, and basic programs, and an analysis of estimated receipts, including a discussion of the President's tax program. This document also contains a description of the budget system and various summary tables on the budget as a whole.

United States Budget in Brief, 1984 is designed for use by the general public. It provides a more concise, less technical overview of the 1984 budget than the above volume. Summary and historical tables on the Federal budget and debt are also provided, together with graphic displays.

Budget of the United States Government, 1984—Appendix contains detailed information on the various appropriations and funds that comprise the budget. The *Appendix* contains more detailed information than any of the other budget documents. It includes for each agency: the proposed text of appropriation language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, proposed general provisions applicable to the appropriations of entire agencies or groups of agencies, and schedules of permanent positions. Supplementals and rescission proposals for the current year are presented separately. Information is also provided on certain activities whose outlays are not part of the budget totals.

Special Analyses, Budget of the United States Government, 1984 contains analyses that are designed to highlight specified program areas or provide other significant presentations of Federal budget data. This document includes information about: alternative views of the budget, i.e., current services and national income accounts; economic and financial analyses of the budget covering Government finances and operations as a whole; and Government-wide program and financial information for Federal civil rights and research and development programs.

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