

# PUBLIC AFFAIRS INSTITUTE

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*File  
Economy*

August 5, 1962

## A RESEARCH MEMORANDUM ON THE ECONOMIC IMPACT OF THE CAPITAL BUDGET

NOTE: Economic studies on the capital budget are not extensive. This memorandum summarizes in preliminary form certain studies being developed by the Public Affairs Institute under the direction of Stephen Raushenbush. They are offered here because of their value in indicating the importance of capital budgeting and a public-private investment program in reducing unemployment and keeping it at the frictional level, and in meeting the needs of a stable and growing economy.

Dewey Anderson  
Executive Director

We are still in the beginning of a truly adequate study of the various predictable effects on the economy of a capital budget system which will help prevent excess unemployment and will develop our natural resources.

We are, at least, learning that some features which are usually given great attention are somewhat less reliable and helpful to the growth of the economy than they are said to be. For example, much attention is given to business expenditures for new plant and equipment as a factor in stimulating growth. Certainly such expenditure does this. However, on a two-year

moving average and constant dollar correlation it turns out to have only a relatively low relationship to real GNP. The coefficient of correlation is no better than .572 for the years 1952-61.

Similarly the total of gross private domestic investment shows a quite irregular relationship over the ten-year period, in constant dollars, with two-year moving averages. The coefficient of correlation is .734.

By contrast, we find a much higher degree of connection between the combined elements of private and public debt and the growth of the real GNP. Using the same two-year moving average and constant 1961 dollars, we find a coefficient of correlation of .994, which is quite good. From the figures on debt those of consumer debt have been eliminated. Over the ten-year period from 1952 through 1961 every \$1 billion of increase in the combined public and private debt element resulted in or involved an increase of \$450 million in real GNP.

Turning this around, we can see that to obtain an increase in real GNP of \$1 billion, an increase in combined private and public debt of \$2.2 billion is necessary.

We need to know much more than we do about the relationship between the very large private debt and the somewhat smaller public debt. Does an increase in the latter always stimulate an increase in private debt? Or only on some occasions? And then on what occasions?

You are all aware of the great growth in the private debt in recent years, a growth far greater than that in the public debt. The figures I am giving do not involve consumer debt.

		Private Debt	
		(Current Dollars)	(1961 Dollars)
1950	\$229.5 billion		\$295.6 billion
1961	562.7		562.7
		Increase: 90%	

		Net Public Debt	
		(federal, state, local)	
1950	\$239.4 billion		\$308.4 billion
1961	313.1		313.1
		Increase 1.5%	

In real dollars the private debt has increased 60 times faster than the public debt. The ratio is 90 to 1.5. I am very curious as to whether any major successful European nation has thrown quite so much of the load of obligation for national economic growth on private debt. We need to know far more about these matters than we do.

In current dollars the figures just cited show that with an increase of \$73.7 billion in public debt there was an increase of private debt of \$333.2 billion. Every \$1 billion of public debt was connected up with \$4.50 billion of private debt.

I am calling these figures to your attention simply to indicate the possibility that combined private and public debt may have a most powerful effect on the growth of the economy, and to suggest that public debt will not be found in a position of trying to do the job alone. If the history of the past decade is reliable, there is a close connection.

If the nation ever decided that economic growth at some minimum rate was absolutely essential to its welfare and defense, and committed itself to some certain amounts in advance to supplement any falling off in private debt, the people might feel much greater confidence and go into debt more heavily than they have for the past decade, for purposes of constructive

investment. The ratio of \$4.50 of increased private debt for every \$1 of increase in public debt could reasonably be expected to improve. (That ratio puts public debt increases at 18 percent of total increases). The result of increased confidence could well be that the public debt increase might be less than 18 percent of the total needed.

Preliminary studies made by our statisticians show that we probably could have eliminated all excess unemployment, that over 3 percent of the civilian labor force, by investing over 12 years some \$30.8 billion, and setting it aside in a capital budget account at the rate of about \$2,000 for every excess man unemployed. If, by chance, the same ratio I have been discussing accompanied this increase in the public debt, a total private and public debt increase of \$138 billion would have taken place over the 12 years, with the result of increasing the GNP by about \$64 billion. Of course, in the process, a great deal of tax revenue would be generated, and this would lower the net amount of public debt required to produce such a result.

It is important that further researches along these lines be continued by all who are able to perform them, and that the work results be concentrated for the use of all those who are determined that our economy must grow instead of falter along from one crisis to another every two years.



Chart #1

Correlation of Public and Private Investment  
(Less Consumer Debt)  
with  
Gross National Product, two year Moving Averages,  
1961 Dollars

Percentage Changes over Base 1950-51 = 100

Coefficient of Correlation .994

$$Y_c = 33.03 \text{ plus } 0.72 x$$

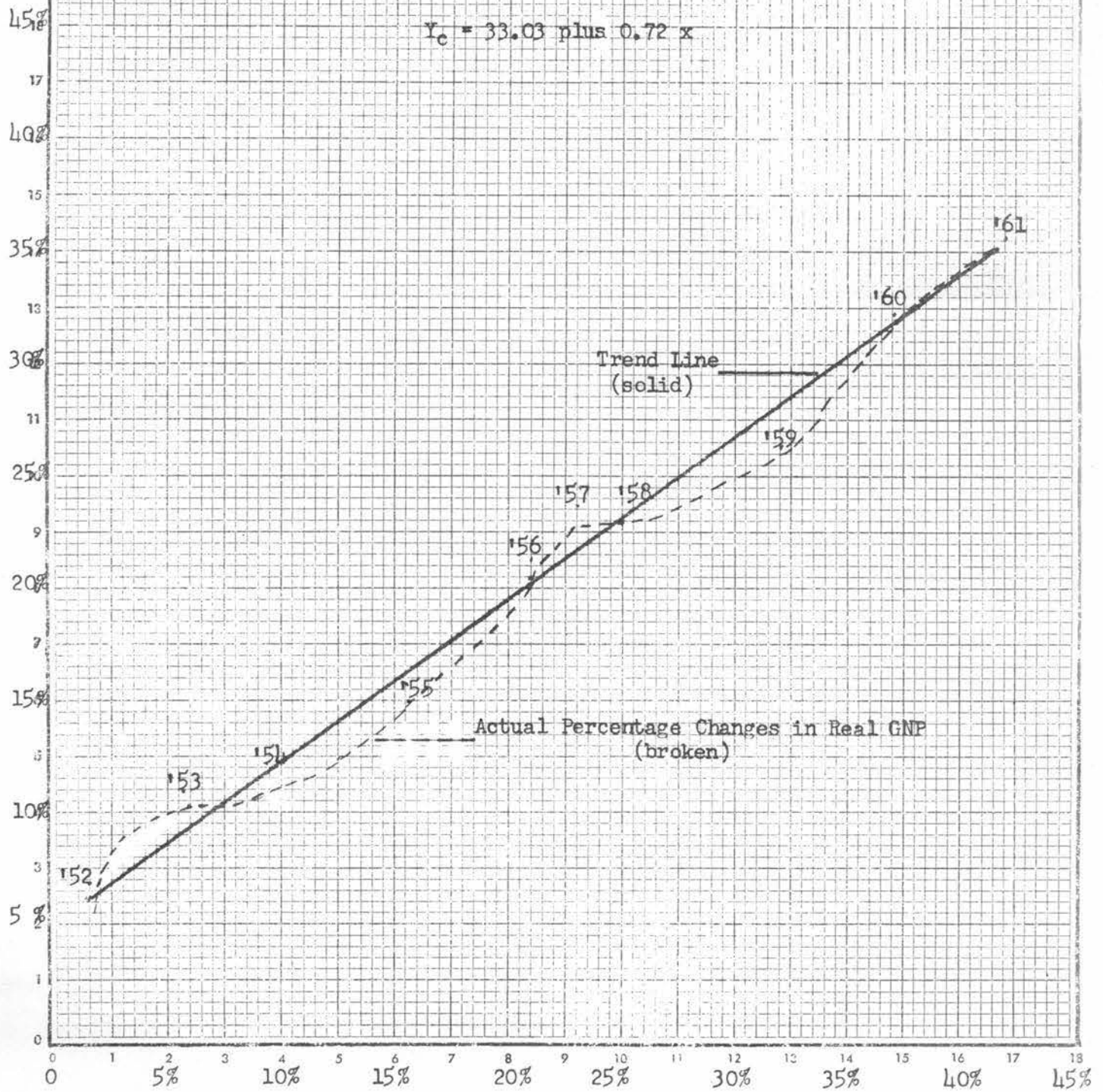


Chart #2

Correlation of Business Expenditures for New Plant and Equipment  
with  
Gross National Product, two year moving average, 1961 dollars

Percentage Changes over Base Year 1950-51 = 100

$$Y_c = 29.69 \text{ plus } 0.762 \times$$

Coefficient of Correlation .572

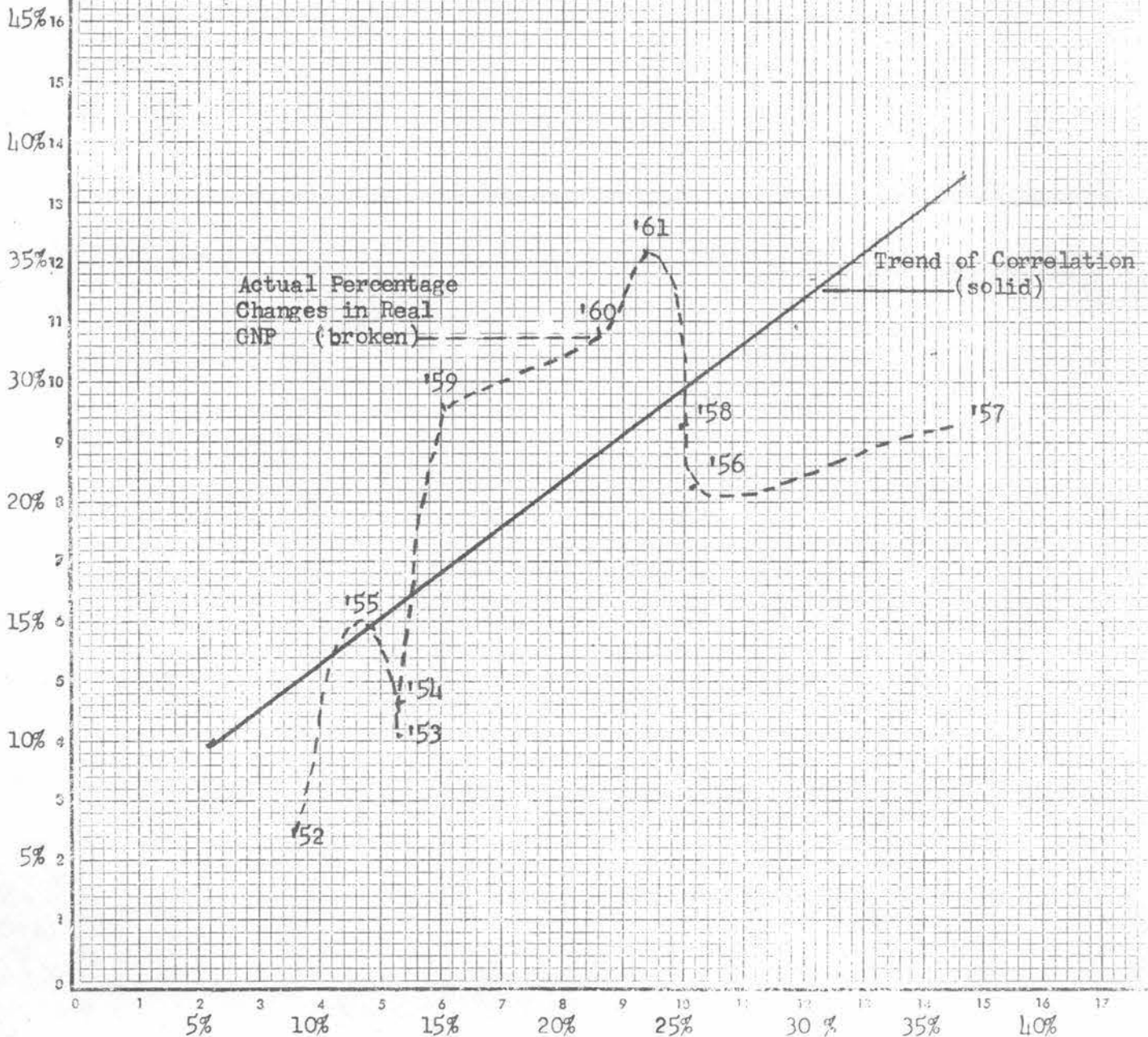




Chart # 3

Correlation of Gross Private Domestic Investment  
with

Gross National Product, 2 year moving average  
1961 Dollars

Percentage Changes over Base Year, 1950-51 = 100

$$Y_c = 31.82 \text{ plus } 0.874 x$$

Coefficient of Correlation .734

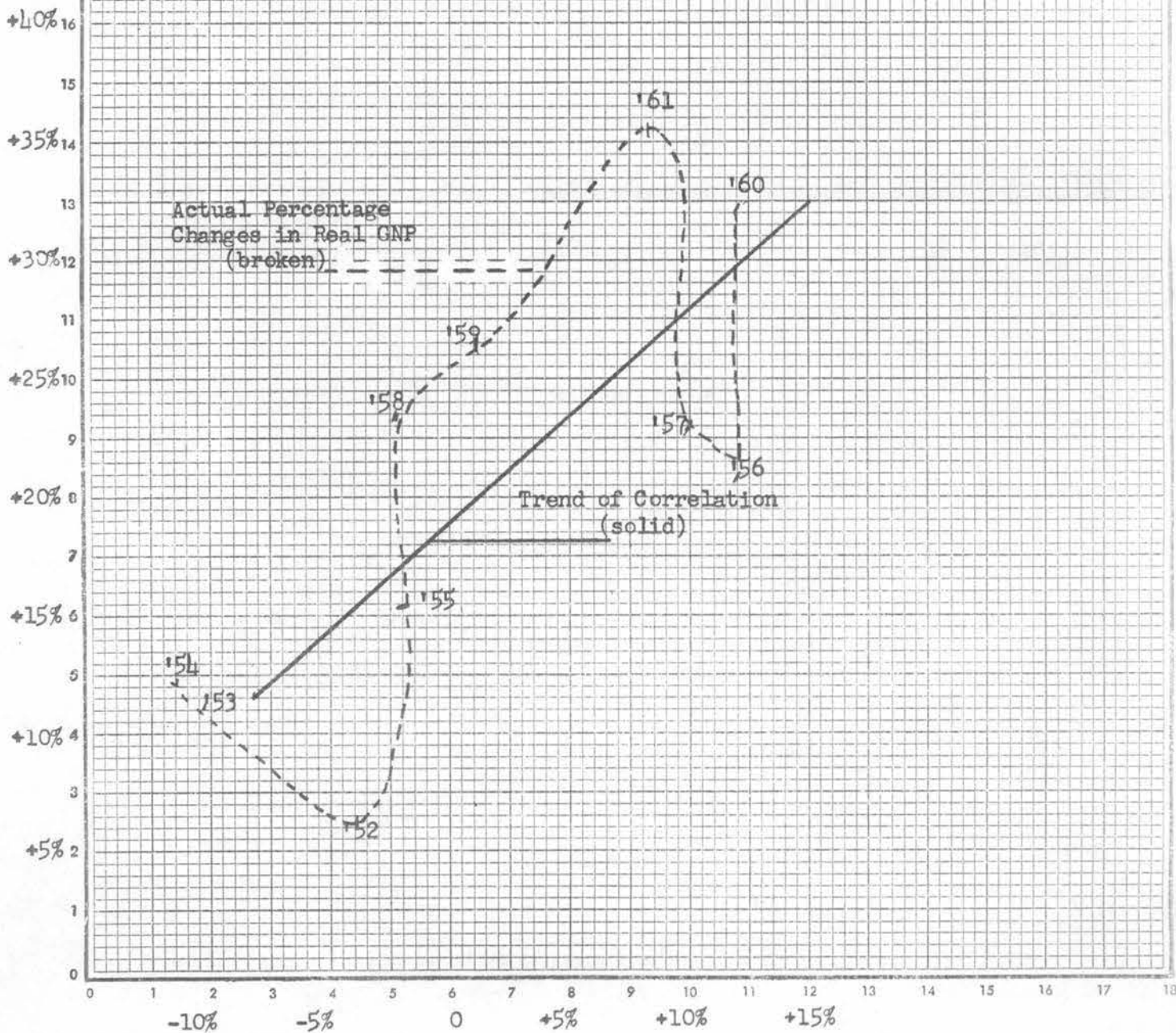


Chart # 4

Percentage Changes 1952-1961

Two-Year Moving Averages

1961 Dollars

Public and Private Debt

and

Gross National Product

Base Year 1950-51 = 100

45%

40%

35%

30%

25%

20%

15%

10%

5%

0

Public and Private  
Debt (broken)

Real GNP  
(solid)

1952

1

1953

3

1954

5

1955

7

1956

9

1957

11

1958

13

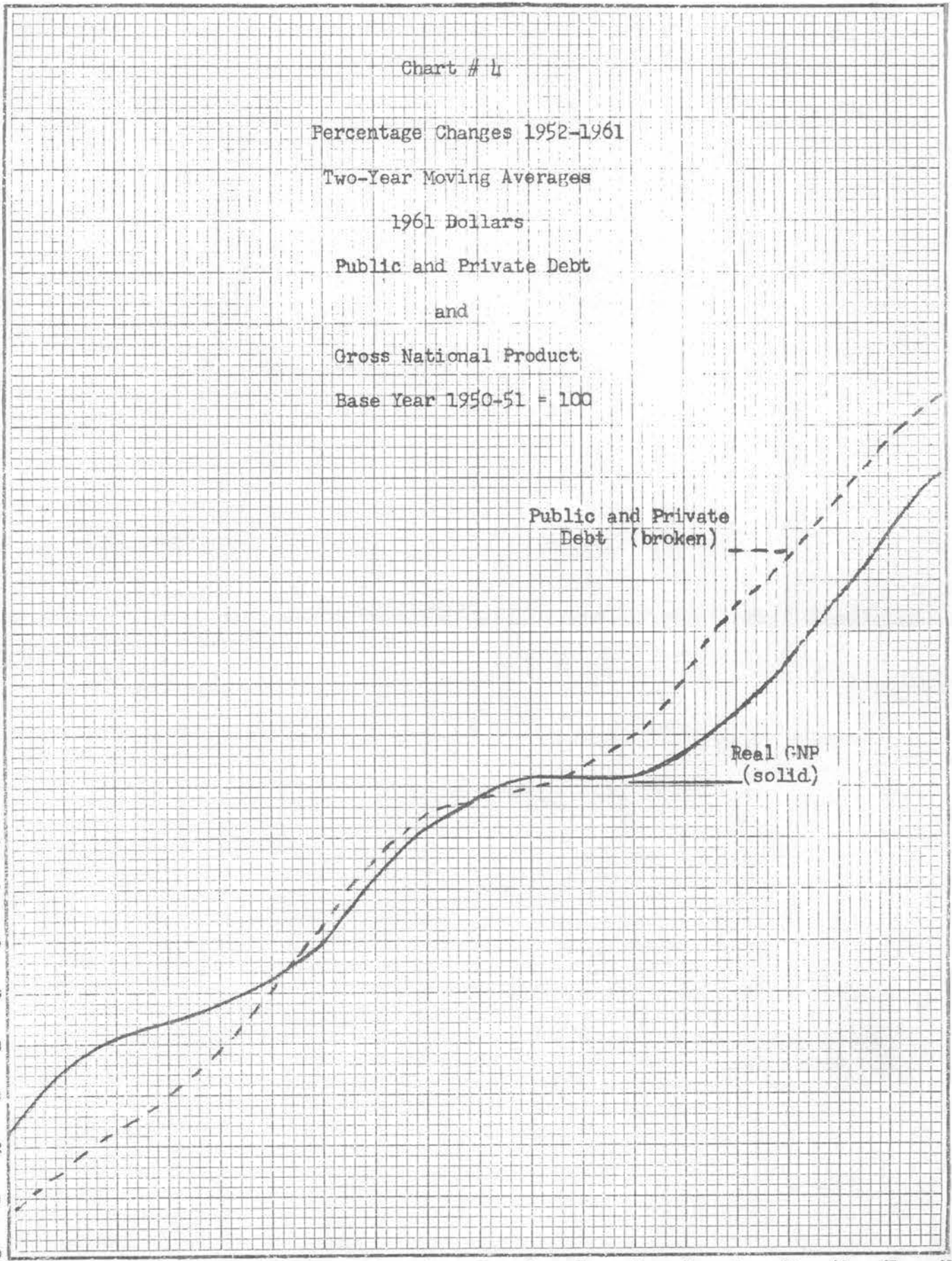
1959

15

1960

17

1961



January 1963

FACTS ABOUT THE BUDGET AND DEBT

I. THE FISCAL 1964 ADMINISTRATIVE BUDGET

1. Civilian expenditures are being reduced

-- Total expenditures	increase \$4.5 billion
Defense, space and interest	increase \$4.7 billion
All other	decrease \$ .2 billion

This is counter to all trends

-- Average annual rate of increase over the previous 9 years:

Federal civilian expenditures	5%
State and local government expenditures	8%

-- Examples of savings reflected in fiscal 1964 Budget:

\$450 million -- reduction in postal deficit
\$300 million -- avoidance of additional surplus feed grain storage
\$750 million -- cancellation of obsolescent or unworkable weapon systems, and savings in logistic operations

2. The Budget reflects primarily the increased cost of national security

-- The 1964 Budget:

More than 70% of budget goes for national defense, space and interest; other outlays for national security and cost of past wars raise this to nearly 80%

-- Kennedy Budget Increases:

Total Budget increase over 1961	\$17.3 billion
Defense, space and interest increase	12.6 billion or 73%
All others:	
Aid to state and local governments	2.3
Anti-farm depression	0.6
Area redevelopment	0.5
Small Business Administration	0.2
Conservation and development of natural resources	0.5
All other	0.6

-- While the Federal Government receives nearly 21% of our total national output or income, it pays out 9% in loans, grants, benefits to needy persons, corporations, local governments, etc., and actually uses less than 12% to purchase its own goods and services, of which nearly 10% goes for defense.

### 3. The Kennedy record in perspective

- Total of all increases in domestic civilian expenditures
  - first three Kennedy Budgets (fiscal 1962-64) \$4.7 billion or 19%
  - last three preceding Budgets ('59-61) \$4.8 billion or 25%
- Same, excluding aid to hard-pressed state and local govts.
  - first three Kennedy Budgets \$2.4 billion or 12%
  - last three preceding Budgets \$4.1 billion or 26%

	<u>Adm. Budget</u>	<u>Cash Budget</u>
--Fiscal '64 deficit, with tax cut -	\$11.9 billion	\$10.3 billion
Fiscal '59 deficit, no tax cut -	\$12.4 billion	\$13.1 billion

- A budget deficit in FY '64, as large in proportion to GNP as deficit of 1959, would be a deficit of between \$15 1/2 and \$16 billion.

### 4. What causes the budget deficit?

- The cost of national security (see above)
- Had we not inherited an economy well below full employment, all three Kennedy cash budgets would have shown a surplus.
- Were it not for the fact that the cash budget for the Federal Government also includes loans to be repaid and long-term capital outlays, all three Kennedy cash budgets would have shown a surplus.
- Were it not for Federal aid to hard-pressed state and local governments, all three Kennedy cash budgets would have shown a surplus.
- Enactment of the tax bill (because of the extra income it would produce and the acceleration of corporate tax payments) would only add \$2.7 billion to the fiscal 1964 budget deficit.
- IF WE SLIDE INTO ANOTHER RECESSION, DEFICIT WITHOUT A TAX CUT WILL BE LARGER THAN PROJECTED DEFICIT WITH A TAX CUT.
- If we attempt to cut back expenditures to balance the budget (requiring major cuts in defense and space and repeal of existing laws), effect on demand, production and employment would result in lower revenues and continued deficit.
- The previous Administration learned these same hard facts about the rising cost of government, as it incurred five deficits in eight budget years, added \$23 billion to the national debt, and spent \$182 billion more than its predecessor had spent in the previous eight years.



## II. THE NATIONAL DEBT

### 1. Public debt as a proportion of GNP is declining in this Admin.

Fiscal 1947 -	116%
1960 -	58%
1964 -	53%

### 2. Calender 1962 increase in net Federal debt was small in proportion

Federal Govt.	3%
State and local govt.	11%
Private business	6%
Consumer (including mortgages)	11%

### 3. Increases in gross debt, 1947 - 1962

	<u>Billions of dollars</u>	<u>Percent</u>
Federal Govt. (6/30/62)	\$ 40	15%
State & local govt. (6/30/61)	\$ 56	332%
Private business (1/1/62)	\$271	189%
Consumers (1/1/62)	\$206	371%

### 4. Funds required to pay interest on public debt:

<u>FY</u>	<u>As % of Federal Budget revenues</u>	<u>% of GNP</u>
1946	12%	2.3
1962	11%	1.7

## III. FISCAL RESPONSIBILITY IN THIS ADMINISTRATION IS BENEFICIAL

### 1. Balance of payments deficit is declining

1958	\$3.5 billion
1959	3.7 billion
1960	3.9 billion
1961	2.5 billion
1962	1.9 billion

### 2. Inflation has been held in check

	<u>Wholesale Price Index</u>	<u>Consumer Price Index</u>
January, 1961	101.0	103.8
December, 1962	100.4	105.8

	<u>Average Annual Rate of Increase</u>	
January, '53 - January, '61	1.1%	1.4%
January, '61 - December, '62	-.3%	1.0%

### 3. U.S. wholesale and consumer prices have remained more stable in the last two years than those of any other major industrial country, except Canada.



#### IV. FEDERAL CIVILIAN EMPLOYMENT

1. There are fewer Federal employees to serve every 100 people in this country now than there were a few years ago

-- End of fiscal 1952	1.6%
1958	1.4%
1964	1.3%

2. 72% of Federal civilian employment is in Defense, Post Office and VA

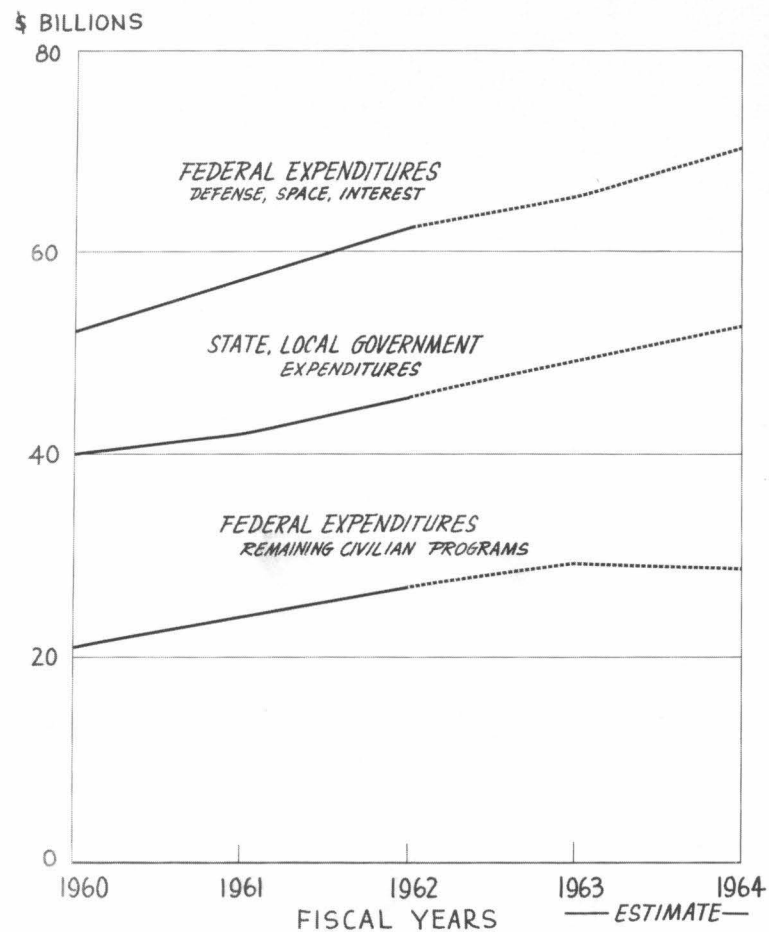
3. Increases in Federal services required between 1962 and 1964 (examples)

-- Number of veterans pensions	up 10%
-- School enrollment (school lunch and milk programs)	up 7%
-- Visitors to National Parks (1961-1964)	up 20%
-- Planes landing or taking off (FAA Towers)	up 11%
-- Volume of mail (P.O. personnel up only 3.4%)	up 6.4%
-- Social Security beneficiaries (BOASDI personnel up only 9%)	up 16%

4. Civilian employment, 1952-1962

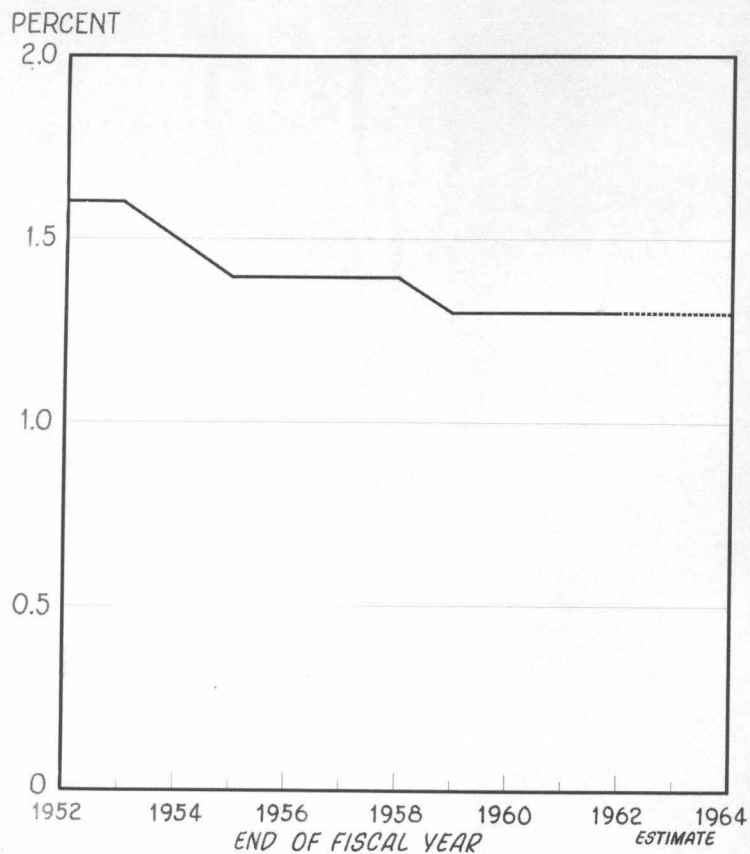
Federal Government	down 3%
State and local government	up 63%

# ADMINISTRATIVE BUDGET EXPENDITURES, 1960 - 1964

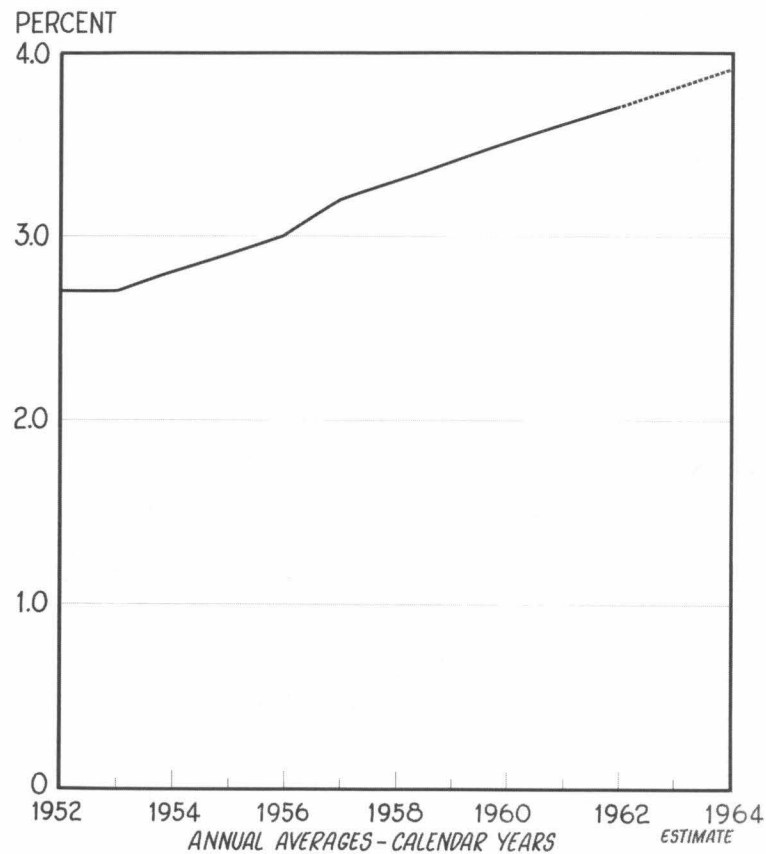


# EMPLOYMENT AS A PERCENT OF POPULATION

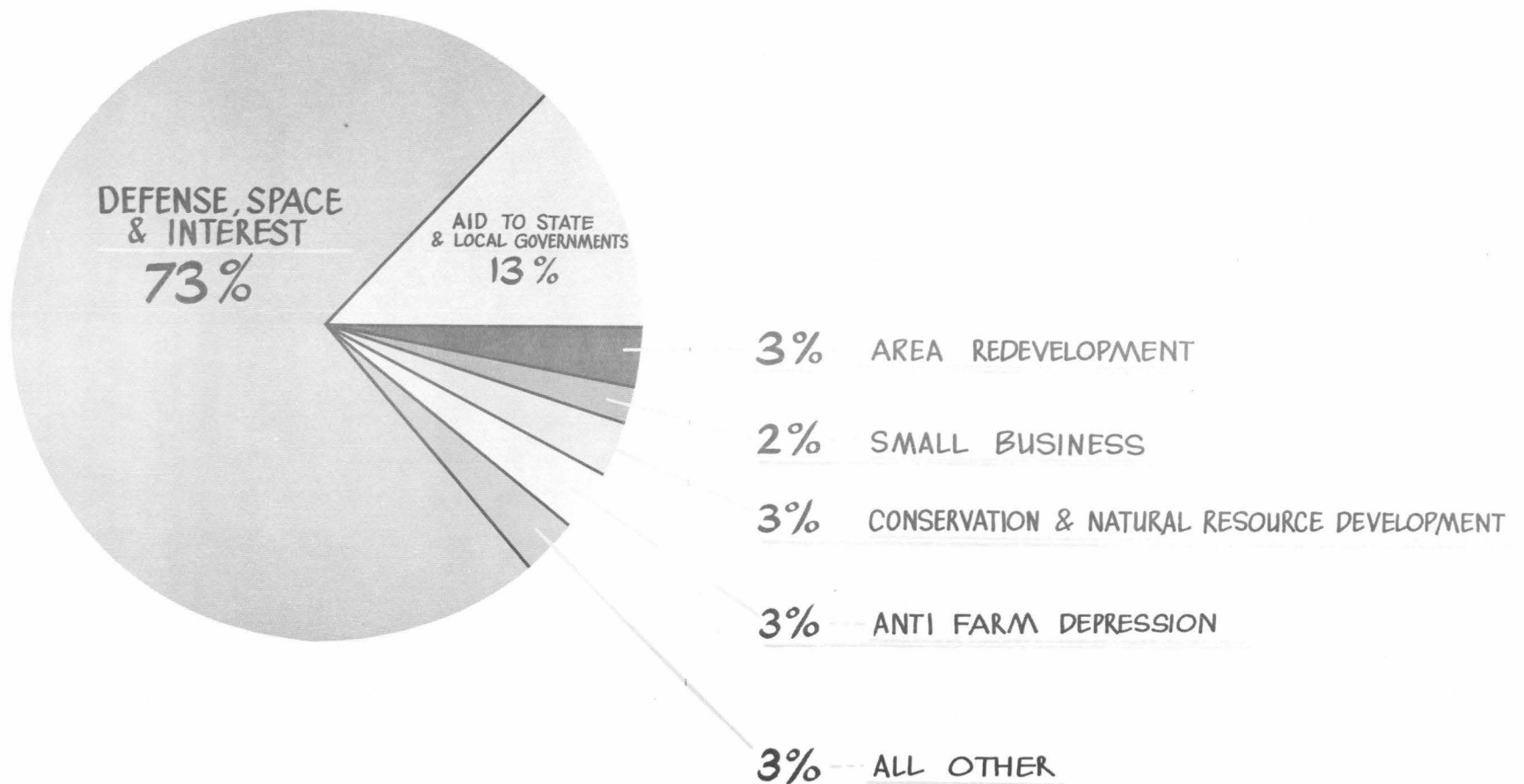
*CIVILIAN EMPLOYMENT AS A PERCENT  
OF POPULATION*



*STATE AND LOCAL GOV'T. AS A PERCENT  
OF POPULATION*

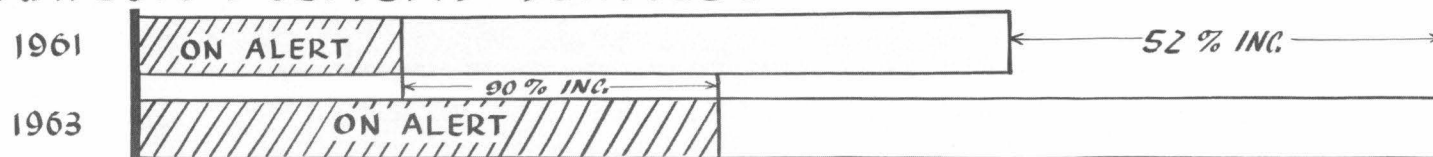


# Where Budget Increases Have Gone *Since 1961*



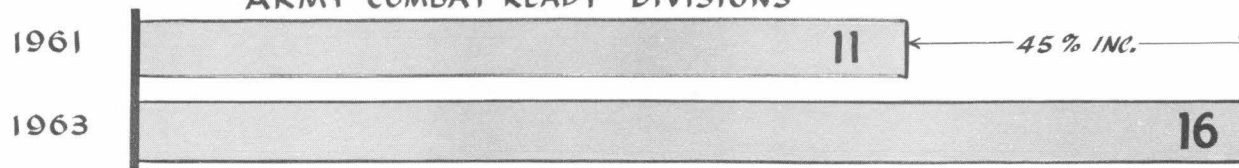
# MAJOR DETERRENTS ..... JANUARY 1961 *v/s* JANUARY 1963

## *STRATEGIC DELIVERY VEHICLES*

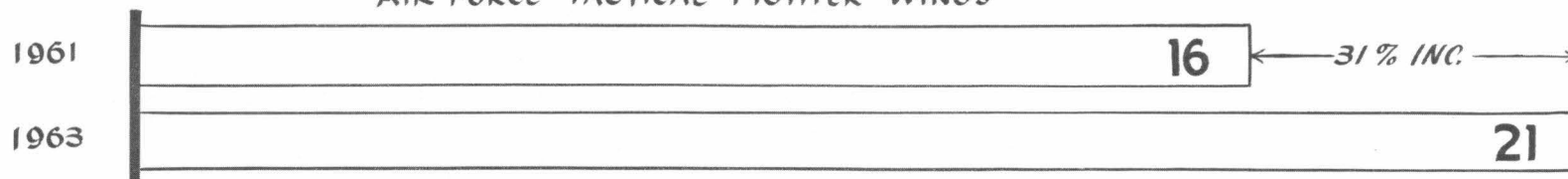


## *GENERAL PURPOSE FORCES*

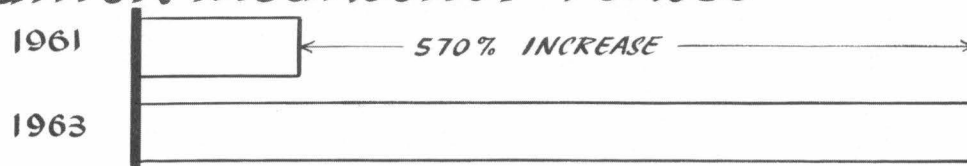
### ARMY COMBAT READY DIVISIONS



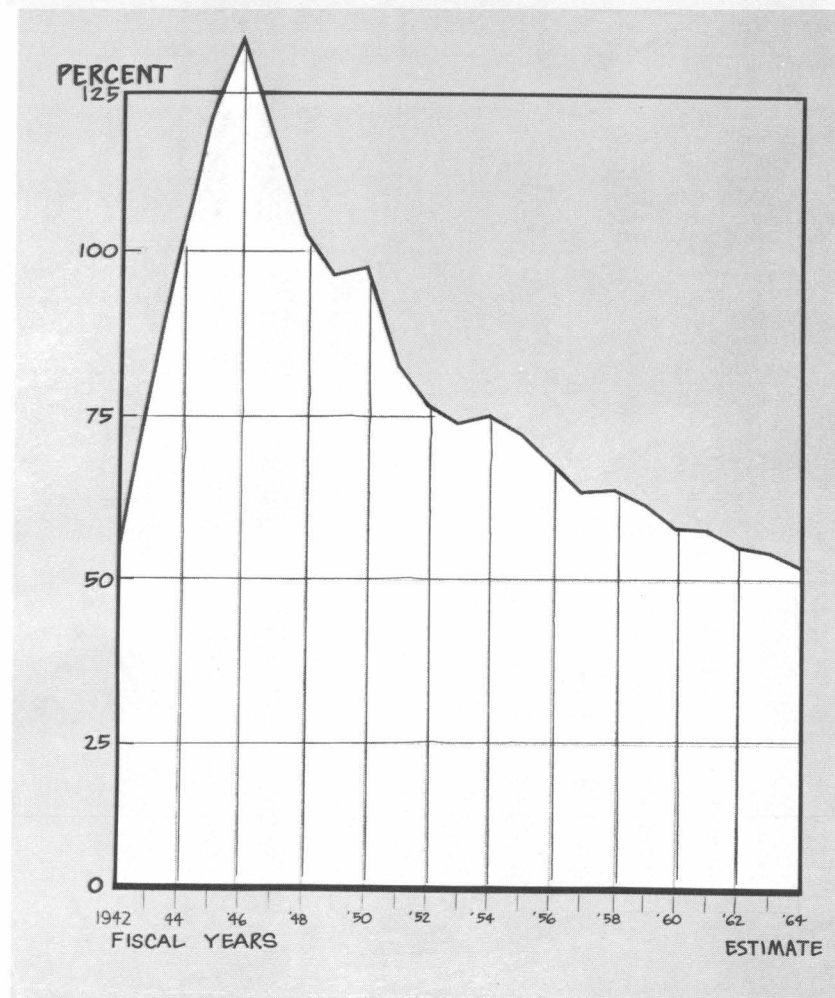
### AIR FORCE TACTICAL FIGHTER WINGS



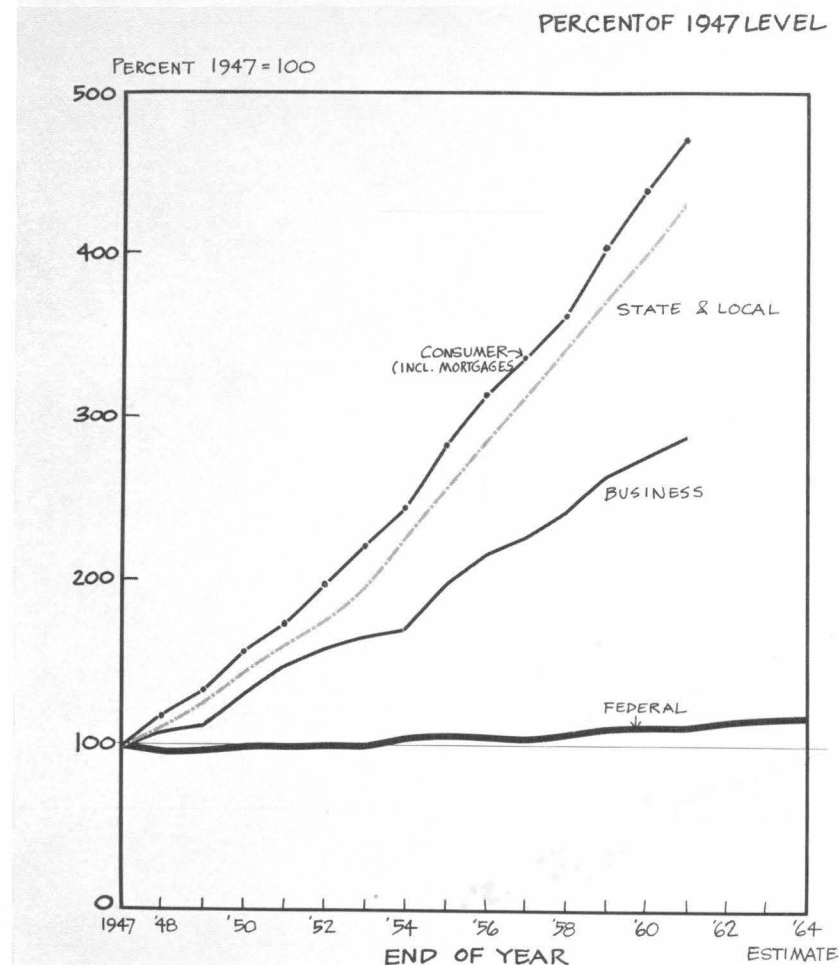
## *COUNTER INSURGENCY FORCES*



# PUBLIC DEBT AS A PERCENT OF GNP



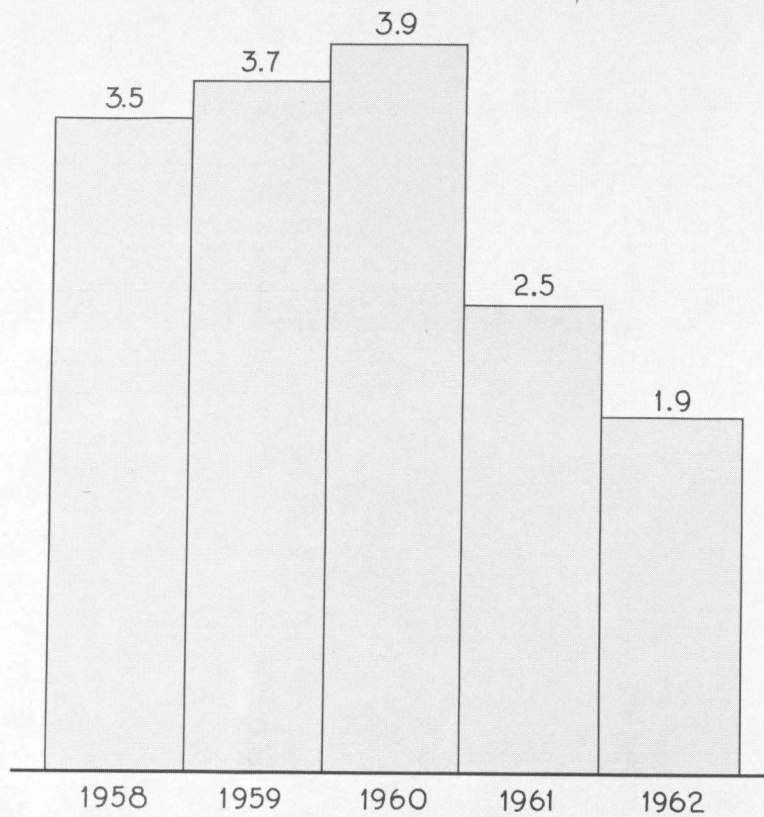
# GROSS PUBLIC & PRIVATE DEBT



# FISCAL RESPONSIBILITY

## *BALANCE OF PAYMENTS DEFICIT*

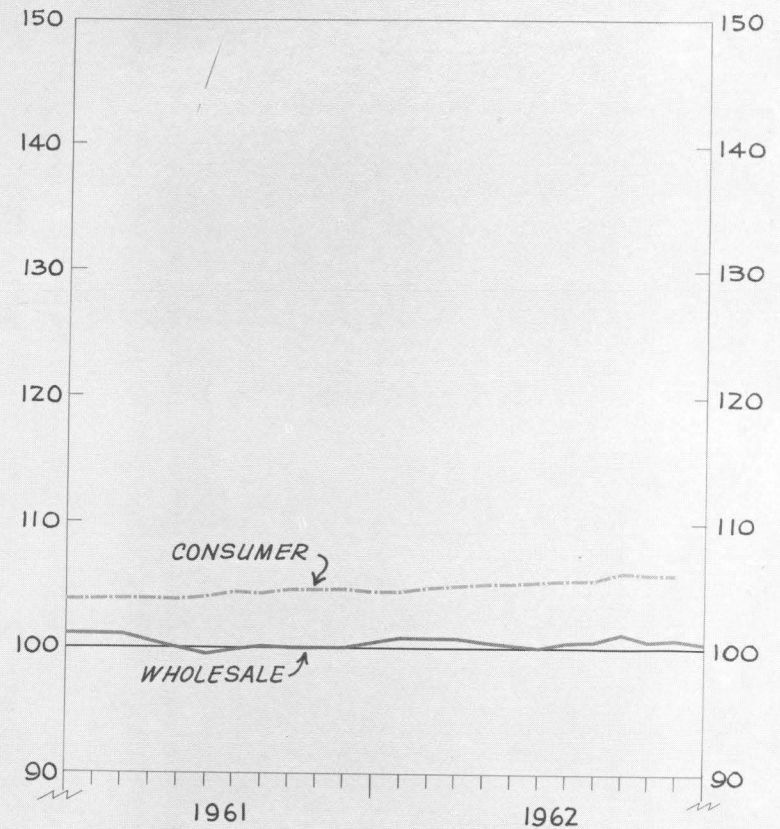
\$ BILLIONS



CALENDAR YEARS

## *PRICES*

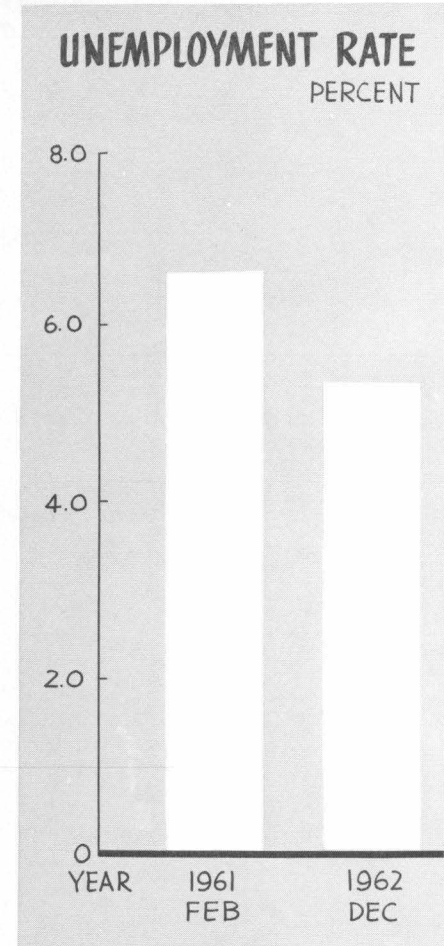
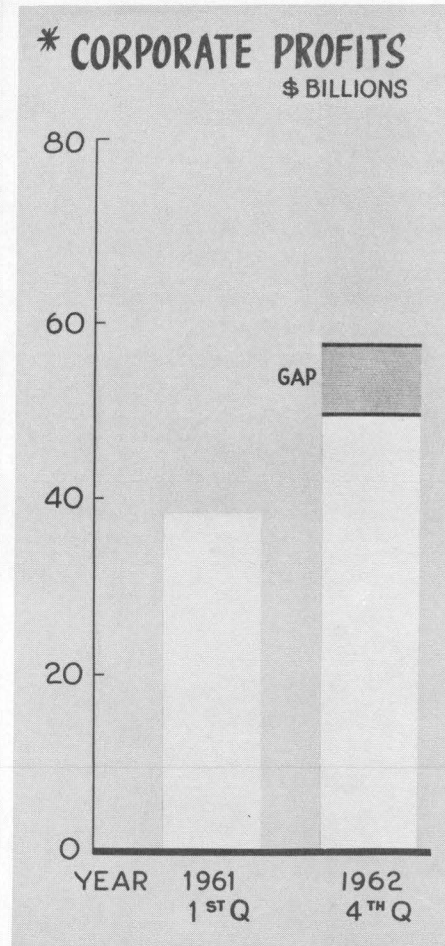
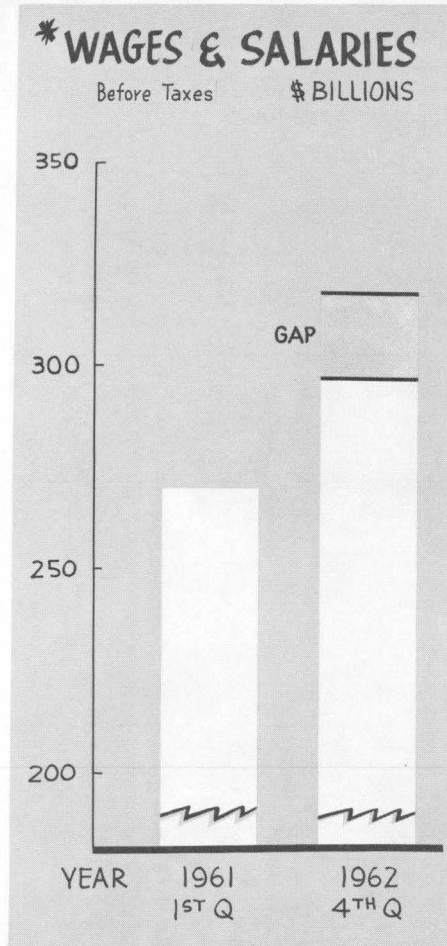
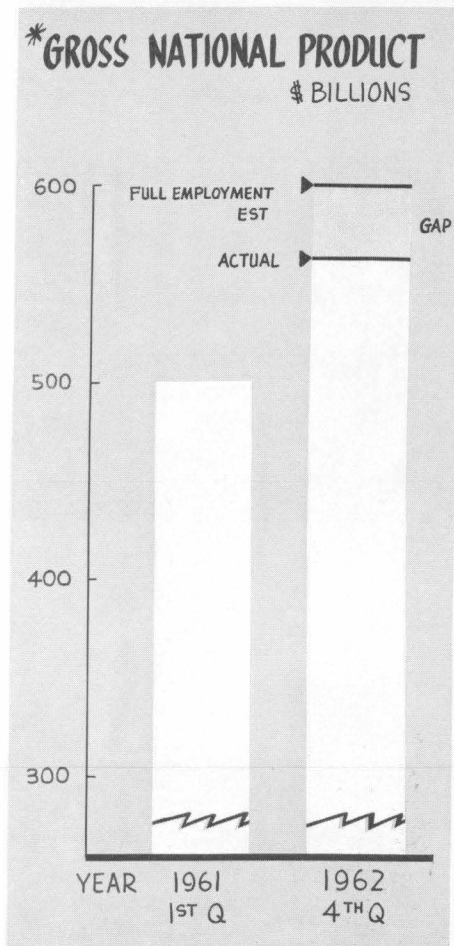
INDEX 1957-59 = 100



CALENDAR YEARS



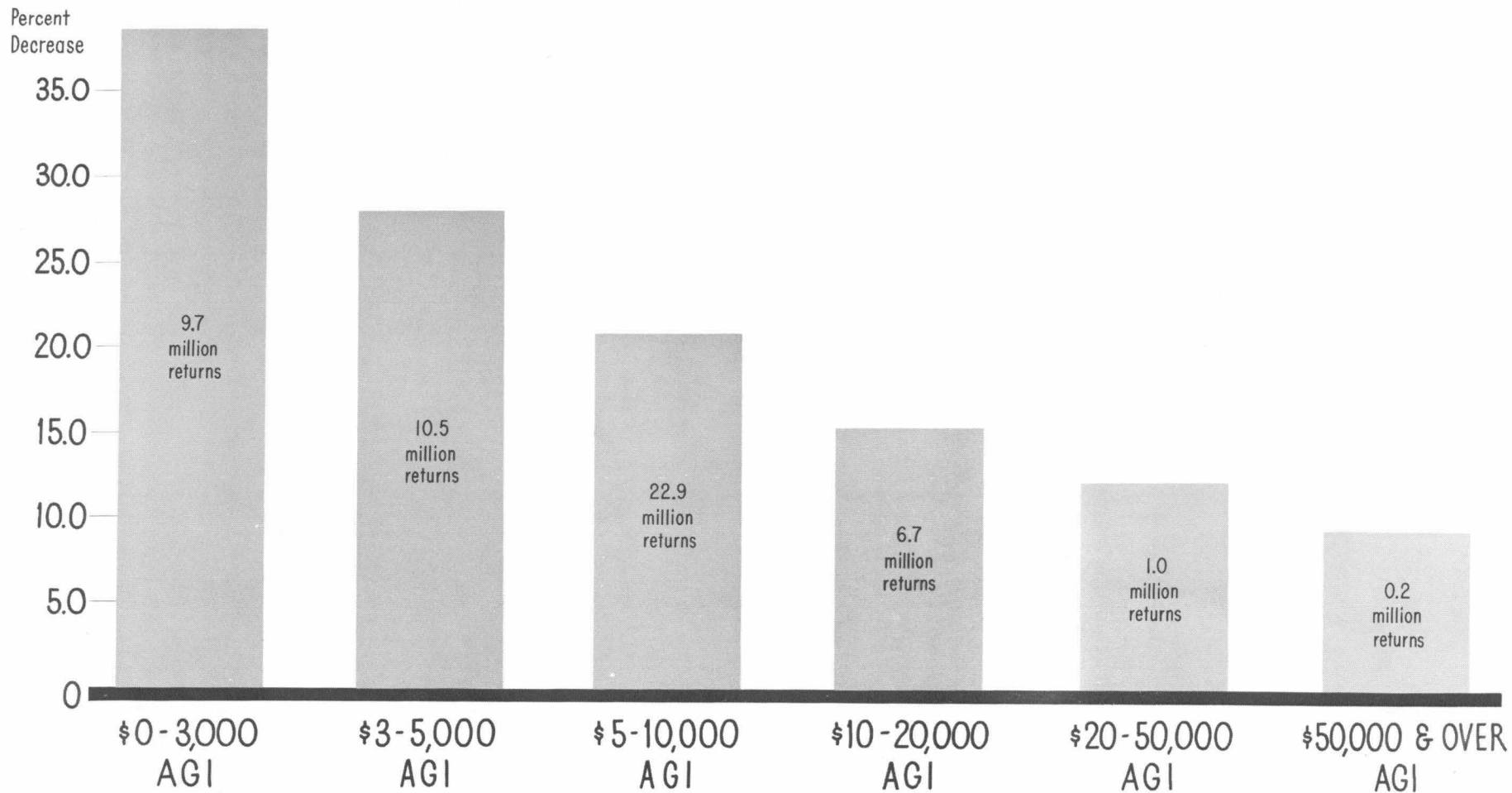
# THE ECONOMIC RECORD



\* SEASONALLY ADJUSTED ANNUAL RATES

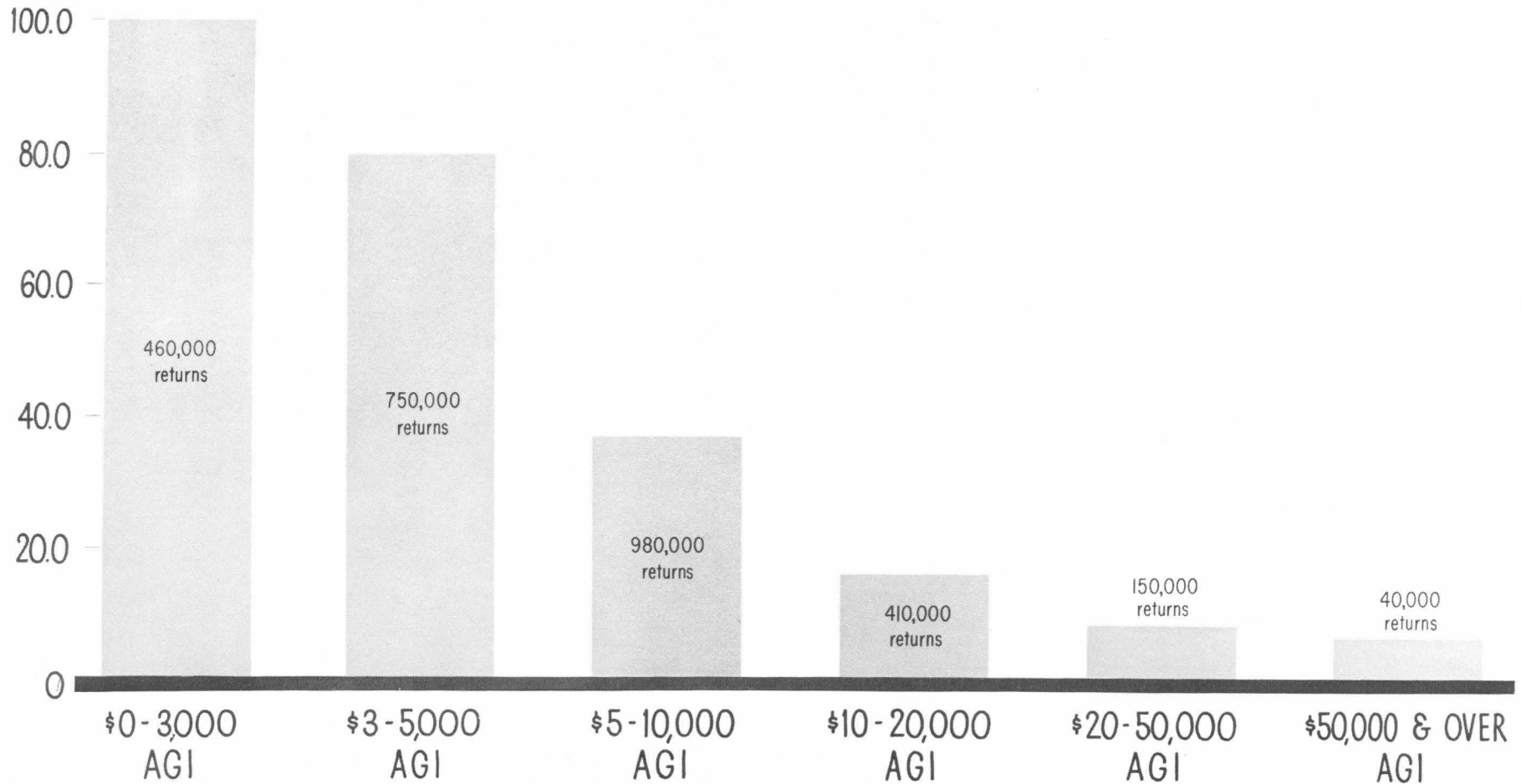
NOTE : DIFFERENT SCALE USED FOR EACH CHART

# *PERCENTAGE DECREASE IN TAX LIABILITY OF INDIVIDUAL TAXPAYERS*

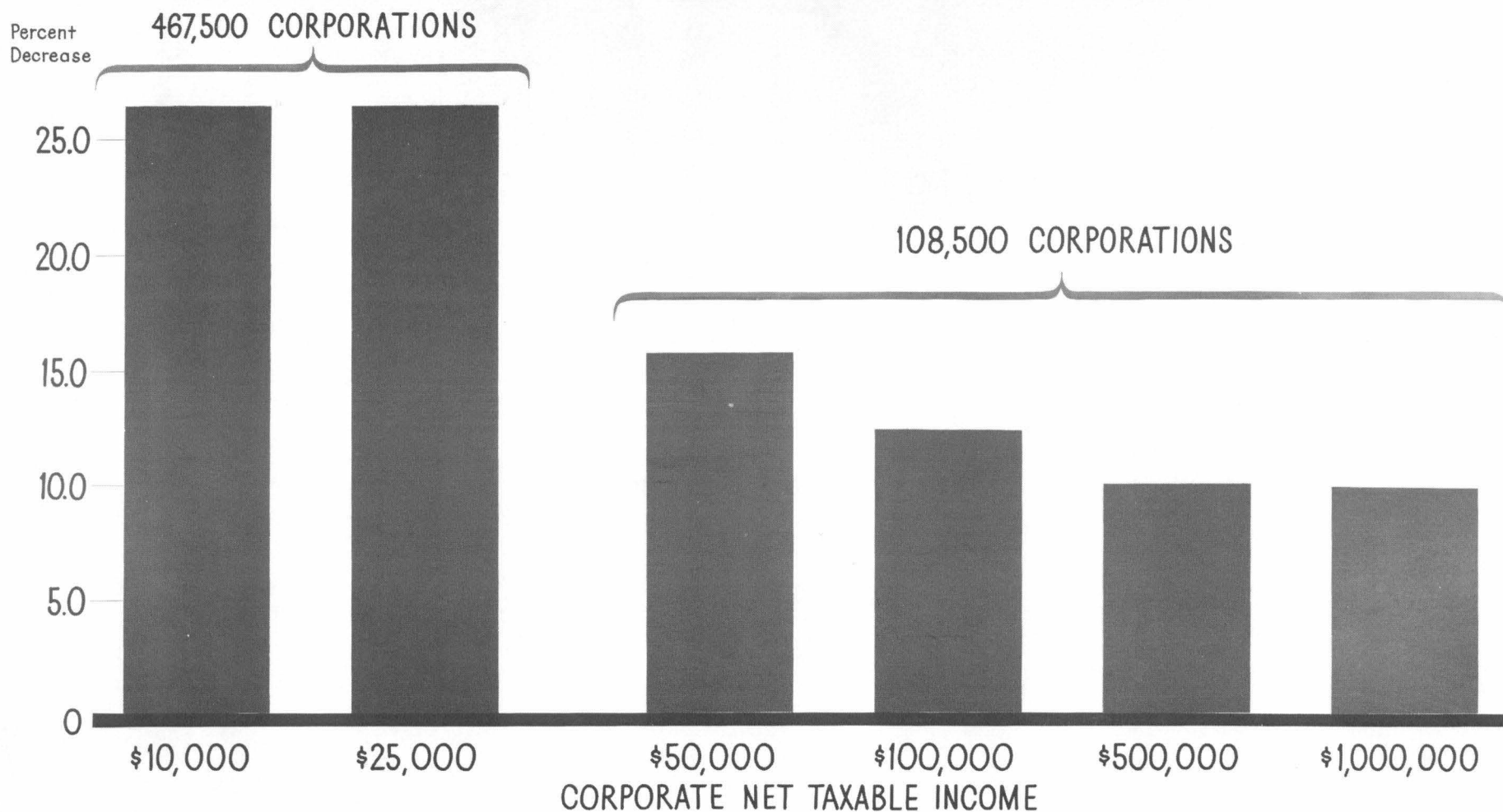


# *PERCENTAGE DECREASE IN TAX LIABILITY OF INDIVIDUALS AGE 65 AND OVER*

Percent Decrease



# *PERCENTAGE DECREASE IN CORPORATE TAX LIABILITY UNDER THE PROPOSED TAX PROGRAM*



Feb. 3, 1964

HJ 2005 U.S.

THE BUDGET OF THE UNITED STATES  
GOVERNMENT, FISCAL YEAR ENDING JUNE 30, 1965:  
Selected Excerpts

Source: Budget in Brief, pp. 65-77, 80-84.  
U. S. Budget, pp. 456-463.

Reproduced by the Legislative Reference Service, Library of  
Congress, February 3, 1964.

## Portions of the President's Budget Message

*To the Congress of the United States:*

This is the budget of the United States Government for 1965.

The preparation of this budget was the first major task to confront me as President, and it has been a heavy one. Many decisions of great importance have had to be made in a brief span of weeks. I have done my best, and I am satisfied that the budget which I am sending to the Congress will advance our Nation toward greater national security, a stronger economy, and realization of the American dream of individual security and equal opportunity for all of our people.

In formulating my budget, I have been guided by two principles:

- I have been guided by the principle that spending by the Federal Government, in and of itself, is neither bad nor good. It can be bad when it involves overstaffing of Government agencies, or needless duplication of functions, or poor management, or public services which cost more than they are worth, or the intrusion of government into areas where it does not belong. It can be good when it is put to work efficiently in the interests of our national strength, economic progress, and human compassion.
- I have been guided by the principle that an austere budget need not be and should not be a standstill budget. When budgetary restraint leads the Government to turn its back on new needs and new problems, economy becomes but another word for stagnation. But when vigorous pruning of old programs and procedures releases the funds to meet new challenges and opportunities, economy becomes the companion of progress.

This is, I believe, a budget of economy and progress. On the one hand, it calls for a reduction from the preceding year in total administrative budget expenditures—and it is only the second budget in 9 years to do so. It calls for a substantial reduction in total civilian employment in the executive branch—and it is the first budget to do so since the practice of totaling the employment estimates in the budget was initiated in January 1956. It cuts the deficit in half, and carries us a giant step toward the achievement of a balanced budget in a full-employment, full-prosperity economy.

On the other hand, this budget safeguards the peace by providing for the further strengthening of the most formidable defense establishment the world has ever known; it recommends continued military assistance to those nations menaced by Communist aggression, direct and indirect; it includes economic assistance to those nations which are willing to take the steps necessary to guard their freedom and



independence through economic self-help; it provides the funds necessary to advance our mastery of space toward the achievement of a manned lunar landing in this decade; it provides for the sound management and development of our natural and agricultural resources; and in its recommendations relating to education, housing, manpower training, health, and employment opportunities for youth, it provides more funds than ever before in our history for the fuller development of our Nation's most important resource—its people.

Moreover, this budget makes provision for the initiation of a new and major effort to break the vicious circle of chronic poverty, which denies to millions of our fellow citizens a just participation in the benefits of life in our country. We owe to every young person in America a fair start in life—and this means that we must attack those deficiencies in education, training, health, and job opportunities by which the fetters of poverty are passed on from parents to children. The attack on poverty must rely on local initiative and leadership; and the resources of the local, State, and Federal Governments must be mobilized to support these efforts. I will shortly send to the Congress a special message conveying my recommendations for the attack on poverty.

The urgent and necessary program increases recommended in this budget will be financed out of the savings made possible by strict economy measures and by an exhaustive screening of existing programs. As a result of the highly successful cost reduction program launched in 1962 by the Secretary of Defense, the 1965 program of the Department of Defense will require over \$2 billion less in appropriations than would otherwise be the case—a sum greater than the 1965 cost of the new programs I am recommending to the Congress. Department of Defense expenditures will decline by more than \$1 billion from 1964 to 1965, and additional savings are expected to be realized in agriculture, atomic energy, postal services, veterans benefits, and in various lending programs through substitution of private for public credit.

My proposals call for administrative budget expenditures in 1965 of \$97.9 billion—\$900 million less than was requested in the 1964 budget and \$500 million less than I now estimate will be spent in 1964. This reduction in expenditures will be achieved despite a steady growth in the workload of nearly every civilian agency of Government—ranging all the way from the number of income tax returns to the number of visitors to our national parks. The reduction in expenditures will be achieved despite built-in and relatively uncontrollable expenditure increases resulting from past commitments and legislative provisions, including higher costs for interest on the debt and for military and civilian pay increases required by law.

Administrative budget receipts are expected to increase in 1965 to \$93.0 billion, \$4.6 billion over 1964. This increase, reflecting the



expectation of a strongly growing economy spurred by prompt enactment of the tax program, takes into account the estimated revenue losses from the new tax rates.

The resulting administrative budget deficit of \$4.9 billion for 1965 is \$5.1 billion below the deficit now estimated for the current year and marks an important first step toward a balanced budget.

\* \* \*

On the cash basis, total payments to the public are estimated at \$122.7 billion for 1965. Total receipts from the public are estimated at \$119.7 billion, resulting in a \$2.9 billion excess of payments over receipts. The estimates of cash payments and receipts in 1965 reflect the normal, built-in growth of trust fund benefit payments, and the employment and excise tax revenues which finance them.

Another measure of Federal finances—one which emphasizes the impact of the Government's fiscal activities on the economy—is based on the national income accounts. Under this concept, Federal fiscal data, including the trust funds, are generally estimated on an accrual rather than a cash basis, and eliminate transactions, such as loans, which do not directly result in production and income. These data indicate an excess of payments over receipts of \$2.8 billion in fiscal year 1965.

### THE ECONOMY AND TAX REDUCTION

The Federal budget is a detailed plan for managing the business of Government, but it is more than that: In setting the relationship between Government expenditures and taxation, the budget is also a powerful economic force which can help or hamper our efforts to achieve stable prosperity and steady growth.

The expenditure proposals in this budget are ample to satisfy our most pressing needs for governmental services, but the broad economic stimulus needed to carry our economy to new high ground in production, income, and employment will not come principally from Government outlays. I believe—as did President Kennedy—that the primary impetus needed to move our economy ahead should come, in present circumstances, from an expansion of the private sector rather than the public sector. Therefore, the earliest possible enactment of the tax reduction bill now before the Congress is an integral and vital part of my budgetary proposals.

Our country is currently in its fourth postwar period of economic expansion—a period which started in February 1961, and has now lasted nearly 3 years.

Preliminary estimates indicate that the Nation's total output of goods and services—our gross national product—rose to \$585 billion in calendar year 1963, an increase of 5.4% over 1962.

Over the same period, personal income rose 4.7%, industrial production 5.1%, and corporate profits 10.5%.

Price stability has been maintained for the sixth consecutive year.

This is a record of strong expansion—and yet the expansion has not been strong enough to absorb the margin of idle workers and idle plant capacity which continues to tarnish our economy's performance. Almost 3 years after the trough of the last recession, and despite the creation of 2½ million new jobs in our economy, the unemployment rate now stands at 5½%. Our factories continue to produce below their optimum rate. As a nation we are producing at a rate at least \$30 billion below our comfortable capacity. This is a gap for which we are paying a high price in idle resources, both human and physical.

This gap must be closed. It must be closed—as President Kennedy urged a year ago—by loosening “the checkrein of taxes on private spending and productive incentives.” It must be closed promptly, for the unemployed have already waited too long for jobs which can be created simply by allowing our people to spend and invest a greater part of the money they earn.

The bill approved by the House of Representatives last September meets the fundamental requirements for tax action in 1964. I propose only two changes in that bill:

- The bill provides for a reduction in the rate of withholding on wages and salaries from 18% to 15% for calendar 1964, starting on January 1, 1964. Since that date has already been passed, the institution of the 15% withholding rate at a later date in 1964 would require substantial additional refunds to taxpayers next year. A corresponding part of the economic stimulus provided by the tax program would be delayed until then. Hence, I propose that the withholding rate be reduced to 14% rather than 15%, effective as soon as possible after enactment. This will assure that the beneficial effects of the 1964 tax reductions are felt immediately, instead of being postponed, in part, for a year. It will simplify procedures for taxpayers and their employers by making unnecessary another change in the withholding rate in 1965, as provided in the House bill. Moreover, the change will also maintain approximately the same division between the fiscal year 1964 and 1965 revenue impact of tax reduction as would have resulted from the House bill. The revenue estimates in this budget assume approval of this change.

- The House bill fails to close the loophole by which property transferred at death now escapes capital gains taxation, but it nevertheless would reduce the rate of taxation on capital gains. With-

out the former provision, the latter provision is unwarranted, and it should be deleted from the bill.

With these two changes, I urge the enactment of the House bill by the Senate.

With prompt enactment of the tax program, economic expansion in 1964 should proceed briskly. Reflecting the effects of the first stage of the tax reduction, the gross national product in calendar year 1964 should rise to about \$623 billion, plus or minus \$5 billion. This is substantially higher than the GNP which could be expected in the absence of prompt enactment of the tax legislation. In fact, since expectations of a tax reduction have been incorporated into the forward planning of many business firms, the effect on the economy of failure to pass the legislation swiftly might be deeply disturbing.

As the tax reduction takes full effect, its stimulus to private consumption and investment will shrink the \$30 billion gap between the Nation's actual and potential output, and provide approximately 2 million additional jobs for the unemployed and the new workers entering the labor force. As economic activity expands, and personal and business incomes increase, Federal revenues will also rise. The higher revenues, combined with continuing pressure for economy and efficiency in Federal expenditure programs, should hasten the achievement of a balanced budget in an economy of full prosperity.

**Income tax revisions.**—The bill currently before the Senate will reduce income tax liabilities by \$11.1 billion. Individual rate reductions and structural changes account for about 80% of the total tax reduction. The remaining 20% reflects a reduction in corporate taxes, providing enhanced incentives for new investment.

Once the tax bill becomes fully effective in calendar year 1965, the entire schedule of individual income tax rates will fall from the present range of 20% to 91% to a range of 14% to 70%, and the current first \$2,000 bracket of taxable income will be divided into four successive brackets of \$500 each.

All corporations will pay lower tax rates, with incorporated small businesses receiving the largest proportionate tax rate reduction because the tax rate on the first \$25,000 of their taxable income is reduced from 30% to 22%. Large corporations (with estimated tax liabilities above \$100,000) will have to speed up their tax payments in order to reduce the lag between the time when taxable profits are earned and the time when taxes are paid; however, this speedup plan is gradual, shifting the timing of corporation tax collections a bit each year for the next 7 years.

The combination of the investment tax credit and the revision of depreciation guidelines achieved in 1962, plus the \$2½ billion tax rate reductions and structural changes proposed for corporations in the

pending bill, will result in a total reduction of about \$5 billion in corporate tax liabilities.

The bill also contains many changes in the income tax laws that are designed to reduce the weight of taxes where the burden is most unfair, and to correct special tax advantages which will no longer be equitable under the proposed structure.

**Excise tax extension.**—The Congress should extend several current excise tax rates which will otherwise decline or expire on July 1, 1964. These excise taxes have been continued at the present rates through annual extensions for the past several years. Without extension, revenues would fall by \$1.7 billion during fiscal year 1965.

**User charges.**—Many Federal Government programs furnish specific, identifiable benefits to the individuals and businesses using them. Equity to all taxpayers demands that those who enjoy the benefits should bear a greater share of the costs. I am, therefore, renewing recommendations for the enactment of user charges for commercial and general aviation and for transportation on inland waterways.

Appropriate fees should also be assessed in other areas where the Government provides special services. New legislation is necessary in several cases to carry out this policy—such as a revision of patent fees to reflect today's costs more adequately—and appropriate proposals are either before the Congress or will be forwarded this year.

### NEW OBLIGATIONAL AUTHORITY

Obligations incurred by Federal agencies under authority provided by the Congress are the forerunners of Federal expenditures. Expenditure control, therefore, depends substantially upon careful control of obligations.

In this budget, new obligational authority of \$103.8 billion is proposed in the administrative budget for fiscal year 1965. This is \$1.2 billion above the amount now estimated for fiscal year 1964, but is \$4.1 billion less than was originally requested for the current year in the 1964 budget. The amount recommended for 1965 includes \$50.9 billion for the Department of Defense (including military assistance), \$120 million less than the amount for the current year.

Significant changes in new obligational authority from 1964 to 1965 include increases of \$1.5 billion for the Department of Health, Education, and Welfare, mainly as a result of new health and education proposals; \$361 million for the Department of Labor because of the recently amended manpower training program and the proposed youth employment legislation; and \$500 million for special appropriations requested for new community programs to attack poverty. Major decreases include \$1.5 billion for the Housing and Home Finance

## NEW OBLIGATIONAL AUTHORITY

(Fiscal years. in billions)

Description	1963 actual	1964 estimate	1965 estimate
Total authorizations requiring current action by Congress:			
Administrative budget funds	\$90.6	\$90.0	\$91.4
Trust funds	3.9	.4	4.2
Total authorizations not requiring current action by Congress:			
Administrative budget funds	11.6	12.6	12.4
Trust funds	24.7	31.3	27.6
Total new obligational authority:			
Administrative budget funds	102.3	102.6	103.8
Trust funds	28.6	31.7	31.8

Agency, reflecting nonrecurring authority requested in 1964, and \$1.3 billion for the Department of Agriculture.

Of the total amount proposed, \$40 billion will become available under permanent authorizations without further congressional action, including \$27.6 billion becoming automatically available as revenues flow into the trust funds. In the administrative budget, the principal permanent appropriation is to pay the interest on the public debt which in 1965 is estimated at \$11 billion, \$0.4 billion more than in 1964.

For the current fiscal year, the Congress is requested to enact \$4.2 billion of additional new obligational authority to provide needed funds for housing and space programs and to finance legislation enacted last year for which no appropriations were provided—such as increased military compensation, broadened manpower development activities, aid to higher education, vocational education activities, and mental retardation programs. Including supplemental authorizations, a total of \$102.6 billion in new obligational authority is estimated for fiscal year 1964 in the administrative budget.

## GOVERNMENT PROGRAMS AND EXPENDITURES

The expenditures proposed in this budget are necessary to meet the needs of our growing society, promote the basic strength of the Nation, honor our worldwide commitments, and fulfill our financial obligations.

Between 1955 and 1965, our population will grow by almost 30 million people, about 17% with the largest increases in the very young and the very old age groups. To keep pace, the Federal Government has had to continue existing public services and provide the additional services needed for future growth. The expansion of the economy, even though falling short of its potential in recent years, has helped provide the resources for both increased public and private services.

We will continue to experience rapid population growth while we seek to improve the rate of economic growth, and over the long run



this will put upward pressure on Government expenditures for civilian purposes. Nevertheless, wherever and whenever possible, we should try to reduce costs, curtail less urgent activities, and find other savings to permit essential new or growing services to be financed at the least cost to the taxpayer. That has been the policy in this budget. Essential services have been provided while administrative budget expenditures decline by over one-half billion dollars between the fiscal years 1964 and 1965.

# THE 1964 AND 1965 BUDGETS COMPARED

[In billions]

	Change from prior year (administrative budget)			
	New obligational authority		Expenditures	
	1964 budget document	1965 budget document	1964 budget document	1965 budget document
National defense.....	+\$2.2	-\$0.2	+\$2.4	-\$1.3
Space.....	+2.0	+1	+1.8	+.6
Interest.....	+.3	+.4	+.3	+.4
Subtotal.....	+4.6	+3	+4.6	-.3
Health, labor, welfare, and education (including attack on poverty).....	+2.1	+2.6	+.9	+.9
All other.....	-2.0	-1.7	-.9	-1.1
Total.....	+4.7	+1.2	+4.5	-.5

**The attack on poverty.**—In this budget I have provided over \$1 billion of new obligational authority to begin an all-out attack on the problem of poverty in the United States. In a nation as rich and productive as ours we cannot tolerate a situation in which millions of Americans do not have the education, health, and job opportunities for a decent and respected place as productive citizens. The vicious circle of poverty—in which one generation's poverty, ignorance, and disease breed the same problems for the next—must be broken. I propose to break that circle by raising the educational, skill, and health levels of the younger generation, increasing their job opportunities and helping their families to provide a better home life. I propose a program which relies upon the traditional and time-tested American methods of organized local community action to help individuals, families, and communities to help themselves.

Poverty stems from no one source, but reflects a multitude of causes. Correspondingly, a number of individual programs have been developed over the years to attack these individual problems of job opportunities, education, and training. Other specific programs deal with the closely related areas of health, housing, welfare, and agri-

cultural services. I propose to establish a means of bringing together these separate programs—Federal, State, and local—in an effort to achieve a unified and intensified approach to this complex problem, in which each separate element reinforces the others.

Under this proposal, locally initiated, comprehensive community action programs would be developed, to focus the various available resources on the roots of poverty in urban and rural areas. I shall shortly transmit to the Congress legislation initiating this attack and authorizing, in 1965, \$500 million of new obligational authority specifically for this purpose. Additional funds for the local community action programs will be available from existing agency programs. Moreover, other legislative proposals, recommended elsewhere in this message, will contribute important new resources to the attack on poverty. The Youth Employment Act, the National Service Corps, and the community work and training program, are examples of such proposals. Of particular significance will be the education proposal for project grants to meet special educational needs. All told, in 1965 more than \$1 billion of Federal resources under existing and proposed legislation would be concentrated, through local community action programs, in an intensive and coordinated attack on poverty.

Special emphasis is also being given to the economic needs of the 165,000-square-mile Appalachian region of the United States, which has been largely bypassed in the growth of prosperity in recent years. This emphasis by the Government, combined with the resources and activities of State, local, and private institutions and enterprises in the region, will be directed toward the development of the natural resources of the region, and the promotion of better employment opportunities for its people.

\* \* \*

#### **PUBLIC DEBT**

Under present law the temporary debt limitation of \$315 billion will continue in effect through June 29, 1964. The temporary limit then becomes \$309 billion for one day, June 30, 1964, after which the permanent ceiling of \$285 billion again becomes effective.

The present temporary debt limits were enacted in November 1963. The House Committee on Ways and Means noted in its report of November 4, 1963, that the ceilings were very restrictive, and cut sharply into the normal allowances for contingencies and flexibility during periods of peak requirements in March and June. The report also noted the concern of the Secretary of the Treasury that the debt could not be reduced to the \$309 billion limit set by statute for June 30, 1964, without disrupting orderly management of Treasury finances.

Based on the latest estimates contained in this budget, the debt subject to limit on June 30, 1964, is now estimated to be \$312 billion.



Accordingly, a change in the limit is necessary before June 30, 1964, if serious difficulties in the conduct of public debt management are to be avoided. A further change will be needed to cover the anticipated but reduced, deficit for 1965.

Debt limitations which are so restrictive or so temporary in application as to necessitate several legislative revisions in a single year—as last year—conflict with economical operation of the Government and effective financial management, and involve both the Congress and the Executive in unnecessarily repetitive discussions of the same issues. Instead, the debt ceiling should provide sufficient flexibility for sound management of the Government's finances at the lowest cost, and also permit the Treasury leeway for actively supporting the Nation's balance-of-payments position through timely debt operations. With or without a restrictive debt ceiling, expenditures in this administration will be held to the lowest possible level.

### EFFICIENCY AND ECONOMY IN GOVERNMENT

I call upon all Government employees to observe three paramount principles of public service:

First, complete fairness in the administration of governmental powers and services;

Second, scrupulous avoidance of conflicts of interest; and

Third, a passion for efficiency and economy in every aspect of Government operations.

For its part, the Federal Government must be a good employer. It must offer challenging opportunities to its employees. It must be prompt to recognize and reward initiative. It must pay well to attract and keep its share of dedicated and resourceful workers. It must welcome fresh ideas, new approaches, and responsible criticism.

For 33 years I have been in Government service. I have known its challenge, its rewards, and its opportunities. But all these will multiply in the years to come. The time is at hand to develop the Federal service into the finest instrument of public good that our will and ingenuity can forge.

**Controlling employment.**—Although both our population and our economy are growing and placing greater demands upon the Government for services of every kind, I believe the time has come to get our work done by improving the efficiency and productivity of our Federal work force, rather than by adding to its numbers.

This budget proposes a reduction in Federal employment in 1965—from 2,512,400 to 2,511,200 civilian employees—and I have directed the heads of all departments and agencies to work toward reducing employment still further. This reversal in the trend of Federal employment results from a rigorous appraisal of personnel needs, de-

terminated measures to increase employee productivity and efficiency, and the curtailment of lower priority work. It will be accomplished despite large and unavoidable increases in workloads.

Of the 9½ million civilian employees of governments in the United States today, 2½ million are employed by the Federal Government and about 7 million by the State and local governments. In the decade from fiscal year 1955, Federal civilian employment in the executive branch will rise by 6%, while the population of the United States will increase by 17%. State and local employment will increase about 65% during the same period.

In fiscal year 1955, we had 14 Federal civilian employees in the executive branch for every 1,000 people; in fiscal year 1965, we will have fewer than 13 Federal civilian employees to serve every 1,000 people.

**Management improvement and cost reduction.**—As substantial as are savings due to tightening up on Federal employment, even larger economies result from actions which eliminate waste and duplication, simplify unnecessarily complex systems and procedures, and introduce new and better business methods.

The emphasis on management improvement in the executive branch during the past 3 years has led to impressive economies on a very wide front. Functions have been consolidated. Automatic data processing equipment has improved efficiency and reduced operating costs. Excess property in the possession of one agency has been transferred to others, saving substantial funds budgeted for new purchases. Productivity has been increased in agencies with the heaviest volume of workloads, thus avoiding payroll increases.

In the Department of Defense, the cost reduction program has achieved exceptional results. Without impairing combat strength or effectiveness, savings of over \$1 billion were achieved in fiscal year 1963, and annual savings by fiscal year 1967 are expected to reach the impressive figure of \$4 billion. As part of this effort, defense bases and installations no longer needed will be shut down. The number of civilian employees in the Department of Defense will decrease by 10,000 in fiscal year 1964 and by another 17,000 in 1965—to the lowest level since 1950.

I have directed all departments and agencies to continue and intensify these efforts. When the search for economy is compromised, the taxpayer is the loser.

**Government organization.**—The organization of the Government must be adjusted to cope with new and challenging problems resulting from scientific and technological advances, the development of new and the elimination of old programs, and changes in policies and program emphasis.

One of the most urgently needed improvements requiring congressional action is legislation to create a Department of Housing and Community Development to provide leadership in coordinating various Federal programs which aid the development of our urban areas. I recommend that the Congress approve establishment of this new Department during its current session.

The authority of the President to transmit reorganization plans to the Congress expired on May 31, 1963. Legislation now pending in the Congress should be enacted to renew this authority.

***Salary reform and adjustment.***—Although this budget is deliberately restrictive, I have concluded that Government economy will be best served by an upward adjustment in salaries. In the last year and a half the Federal Government has taken far-reaching steps to improve its pay practices. The Federal Salary Reform Act of 1962 and the Uniformed Services Pay Act of 1963 established the principle of keeping military and civilian pay generally in line with pay in the private economy. This is a sound principle, and it is reinforced by the sound procedure of annual review. This principle is fair to the taxpayer, to Government employees, and to the Government as an employer.

This budget provides for the costs of such action in this session of Congress. Any pay action by the Congress should bring salary rates for top executive branch positions up to levels more nearly commensurate with their respective responsibilities, and increase rates for the Congress and the judiciary. Economy and efficiency in Government will come primarily from the hard and conscientious work of our top managers, who are now plainly underpaid for what is expected of them.

## CONCLUSION

Approval of this budget will:

- Lift a major barrier to more rapid growth in the private sector of

the economy by reducing tax burdens and providing investment incentives.

- Meet the Nation's defense, international, and domestic requirements.
- Provide generously for human needs and, with local community action, attack forcefully the pockets of human want and deprivation in our land.
- Advance efficient and economical administration in the Government so that each tax dollar will be a dollar well spent.

The program proposed for 1965 should provide ample assurance of our determination to keep costs under tight control and move the tax reduction bill toward speedy approval. It should also provide ample evidence that critical national problems need not go unsolved and human wants unmet in a nation rich in moral as well as material strength.

A government that is strong, a government that is solvent, a government that is compassionate is the kind of government that endures.

There is no inconsistency in being prudent and frugal, in being alert and strong, and in being sensitive and sympathetic to the unfilled needs of the people.

This is the objective of this administration. It is an objective that will be met.

I firmly believe the proposals in this budget will serve the Nation well and I ask the support of the Congress and the American people in putting them into effect.

LYNDON B. JOHNSON.

January 21, 1964.

Table 17. ADMINISTRATIVE BUDGET AND TRUST FUND RECEIPTS, 1954-65 (in millions of dollars)

Description	Actual										Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
<b>ADMINISTRATIVE BUDGET FUNDS</b>												
Individual income taxes.....	29,542	28,747	32,188	35,620	34,724	36,719	40,715	41,338	45,571	47,588	47,500	48,500
Corporation income taxes.....	21,101	17,861	20,880	21,167	20,074	17,309	21,494	20,954	20,523	21,579	23,700	25,800
Excise taxes (net).....	9,945	9,131	9,929	9,055	8,612	8,504	9,137	9,063	9,585	9,915	10,221	10,987
Employment taxes.....	283	579	322	328	333	321	339	*				
Estate and gift taxes.....	934	924	1,161	1,365	1,393	1,333	1,606	1,896	2,016	2,167	2,335	2,740
Customs.....	542	585	682	735	782	925	1,105	982	1,142	1,205	1,275	1,460
Miscellaneous receipts.....	2,309	2,562	3,003	2,760	3,200	3,160	4,062	4,080	3,206	4,435	4,053	4,113
Interfund transactions.....	-235	-181	-315	-467	-567	-355	-694	-654	-633	-513	-685	-600
Total administrative budget.....	64,420	60,209	67,850	70,562	68,550	67,915	77,763	77,659	81,409	86,376	88,400	93,000
<b>TRUST FUNDS</b>												
Employment taxes.....	5,100	5,587	6,905	7,192	8,233	8,446	10,728	12,404	12,561	14,862	16,777	16,996
Unemployment tax deposits by States.....	1,246	1,146	1,330	1,542	1,501	1,701	2,167	2,398	2,729	3,009	2,900	2,825
Excise taxes.....				1,479	2,026	2,074	2,539	2,798	2,949	3,279	3,478	3,504
Federal employee and agency payments for retirement.....	465	473	813	1,175	1,252	1,507	1,504	1,740	1,756	1,878	1,959	1,923
Interest on trust fund investments.....	1,193	1,178	1,212	1,324	1,350	1,323	1,337	1,414	1,433	1,477	1,589	1,669
Veterans life insurance premiums.....	426	441	441	452	485	478	482	504	501	494	501	499
Miscellaneous trust receipts.....	685	660	918	1,146	1,317	1,375	2,494	2,840	2,889	3,195	3,446	3,934
Interfund transactions.....	-18	-16	-12	-10	-11	-135	-908	-515	-528	-505	-488	-477
Total trust funds.....	9,097	9,470	11,607	14,301	16,153	16,769	20,342	23,582	24,290	27,689	30,163	30,872

\*Less than one-half million dollars.

Note.—Figures shown in this table are net of refunds, but correspond to the net figures used in the same classifications for fiscal years 1963 to 1965 in table 13 (pages 62 to 67).



Table 18. ADMINISTRATIVE BUDGET AND TRUST EXPENDITURES BY FUNCTION, 1954-65 (in millions of dollars)

Description	Actual										Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
<b>ADMINISTRATIVE BUDGET FUNDS</b>												
<b>050 National defense:</b>												
<b>051 Department of Defense—Military: <sup>1</sup></b>												
Military personnel.....	11,643	11,403	11,582	11,409	11,611	11,801	11,738	12,085	13,032	13,000	14,180	14,660
Operation and maintenance.....	9,162	7,931	8,400	9,487	9,761	10,378	10,223	10,611	11,594	11,874	11,870	12,278
Procurement.....	15,957	12,838	12,227	13,488	14,083	14,409	13,334	13,095	14,532	16,632	16,337	14,785
Research, development, test, and evaluation.....	2,187	2,261	2,101	2,406	2,504	2,866	4,710 <sup>*</sup>	6,131	6,319	6,376	6,943	6,580
Military construction.....	1,744	1,715	2,079	1,968	1,753	1,948	1,626	1,605	1,347	1,144	1,107	1,056
Family housing.....										427	680	660
Civil defense.....									90	203	150	150
Military assistance.....	3,629	2,292	2,611	2,352	2,187	2,340	1,609	1,449	1,390	1,721	1,400	1,200
Revolving and management funds.....	-367	-617	-598	-323	-643	-179	-416	-300	-99	-1,401	-367	-169
<b>Total, Department of Defense—Military.....</b>	<b>43,955</b>	<b>37,823</b>	<b>38,403</b>	<b>40,788</b>	<b>41,258</b>	<b>43,563</b>	<b>42,824</b>	<b>44,676</b>	<b>48,205</b>	<b>49,973</b>	<b>52,300</b>	<b>51,200</b>
<b>058 Atomic energy.....</b>	<b>1,895</b>	<b>1,857</b>	<b>1,651</b>	<b>1,990</b>	<b>2,268</b>	<b>2,541</b>	<b>2,623</b>	<b>2,713</b>	<b>2,806</b>	<b>2,758</b>	<b>2,800</b>	<b>2,735</b>
<b>059 Defense-related activities.....</b>	<b>1,136</b>	<b>1,015</b>	<b>669</b>	<b>590</b>	<b>709</b>	<b>379</b>	<b>244</b>	<b>104</b>	<b>92</b>	<b>24</b>	<b>197</b>	<b>44</b>
<b>Total, national defense.....</b>	<b>46,986</b>	<b>40,695</b>	<b>40,723</b>	<b>43,368</b>	<b>44,234</b>	<b>46,483</b>	<b>45,691</b>	<b>47,494</b>	<b>51,103</b>	<b>52,755</b>	<b>55,297</b>	<b>53,979</b>
<b>150 International affairs and finance:</b>												
<b>151 Conduct of foreign affairs.....</b>	<b>130</b>	<b>121</b>	<b>129</b>	<b>157</b>	<b>173</b>	<b>237</b>	<b>217</b>	<b>216</b>	<b>249</b>	<b>346</b>	<b>316</b>	<b>315</b>
<b>152 Economic and financial programs.....</b>	<b>1,511</b>	<b>1,960</b>	<b>1,613</b>	<b>1,683</b>	<b>1,910</b>	<b>3,403</b>	<b>1,477</b>	<b>2,126</b>	<b>2,372</b>	<b>2,041</b>	<b>1,897</b>	<b>1,705</b>
<b>153 Foreign information and exchange activities.....</b>	<b>91</b>	<b>100</b>	<b>111</b>	<b>133</b>	<b>149</b>	<b>139</b>	<b>137</b>	<b>158</b>	<b>197</b>	<b>201</b>	<b>234</b>	<b>227</b>
<b>Total, international affairs and finance.....</b>	<b>1,732</b>	<b>2,181</b>	<b>1,853</b>	<b>1,973</b>	<b>2,231</b>	<b>3,780</b>	<b>1,832</b>	<b>2,500</b>	<b>2,817</b>	<b>2,588</b>	<b>2,447</b>	<b>2,248</b>
<b>250 Space research and technology:</b>												
<b>251 Space research and technology.....</b>	<b>90</b>	<b>74</b>	<b>71</b>	<b>76</b>	<b>89</b>	<b>145</b>	<b>401</b>	<b>744</b>	<b>1,257</b>	<b>2,552</b>	<b>4,400</b>	<b>4,990</b>

See footnotes at end of table, p. 461.

Table 18. ADMINISTRATIVE BUDGET AND TRUST EXPENDITURES BY FUNCTION, 1954-65 (in millions of dollars)—Continued

Description	Actual										Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
<b>ADMINISTRATIVE BUDGET FUNDS—Con.</b>												
<b>350 Agriculture and agricultural resources:</b>												
351 Farm income stabilization and Food for Peace <sup>2 4</sup>	1,689	3,486	3,900	3,430	3,284	5,297	3,602	3,800	4,576	5,517	4,746	3,750
352 Financing farming and rural housing	272	236	232	248	269	311	289	349	234	300	279	130
353 Financing rural electrification and rural telephones	217	204	217	267	297	315	330	301	303	342	219	216
354 Agricultural land and water resources	252	290	305	374	315	376	368	397	426	404	417	423
355 Research and other agricultural services	142	173	215	227	255	291	293	324	341	391	409	388
Total, agriculture and agricultural resources	2,573	4,388	4,868	4,546	4,419	6,590	4,882	5,172	5,881	6,954	6,070	4,907
<b>400 Natural resources:</b>												
401 Land and water resources	1,056	935	804	925	1,139	1,184	1,235	1,394	1,564	1,699	1,720	1,808
402 Forest resources	117	119	139	163	174	201	220	331	280	303	354	339
403 Mineral resources	37	37	38	62	59	71	65	61	68	71	107	113
404 Fish and wildlife resources	38	43	45	51	60	68	68	73	81	94	104	110
405 Recreational resources	33	35	44	59	69	85	74	91	94	112	122	138
409 General resource surveys and administration	35	34	36	38	44	61	51	55	60	73	76	80
Total, natural resources	1,317	1,203	1,105	1,298	1,544	1,670	1,714	2,006	2,147	2,352	2,483	2,588
<b>500 Commerce and transportation:</b>												
501 Aviation	186	179	180	219	315	494	568	716	781	808	875	912
502 Water transportation	370	349	420	365	392	436	508	569	654	672	708	717
503 Highways	586	647	783	40	31	30	38	36	33	41	45	42
505 Postal service	312	356	463	518	674	774	525	914	797	770	546	475
506 Advancement of business	-281	-343	5	119	170	234	265	271	427	366	426	455
507 Area redevelopment <sup>4</sup>					*				7	101	463	375

508 Regulation of business.....	45	38	41	45	49	58	59	67	74	84	89	94
Total, commerce and transportation.....	1,219	1,225	1,892	1,305	1,632	2,025	1,963	2,573	2,774	2,843	3,151	3,069
550 Housing and community development:												
551 Aids to private housing.....	-277	174	-67	-254	-126	732	-172	-44	-149	-537	-723	-1,041
552 Public housing programs.....	-401	-116	31	60	51	97	134	150	163	178	146	222
553 Urban renewal and community facilities.....	37	56	4	49	78	108	130	162	261	222	316	411
555 National Capital region.....	14	22	23	27	26	33	30	51	74	70	69	90
Total, housing and community development.....	-628	136	-10	-118	30	970	122	320	349	-67	-191	-317
650 Health, labor, and welfare:												
651 Health services and research.....	288	271	342	461	540	700	815	938	1,128	1,354	1,638	1,733
652 Labor and manpower.....	247	321	479	397	488	924	510	809	591	224	390	651
653 Public assistance.....	1,439	1,428	1,457	1,558	1,797	1,969	2,061	2,170	2,437	2,788	3,007	2,869
655 Other welfare services <sup>a</sup> .....	148	145	184	216	234	284	304	327	382	423	498	579
Total, health, labor, and welfare.....	2,122	2,165	2,462	2,632	3,059	3,877	3,690	4,244	4,538	4,789	5,533	5,832
700 Education:												
701 Assistance for elementary and secondary education.....	184	215	181	174	189	259	327	332	337	392	411	471
702 Assistance for higher education.....	44	43	44	110	178	225	261	286	350	428	404	442
703 Assistance to science education and basic research.....	6	11	20	46	50	106	120	143	183	206	260	302
704 Other aids to education.....	91	109	98	108	124	141	156	181	207	219	269	359
Proposed education legislation <sup>a</sup> .....											3	118
Total, education.....	326	377	343	437	541	732	866	943	1,076	1,244	1,348	1,691
800 Veterans benefits and services:												
801 Veterans service-connected compensation.....	1,731	1,829	1,864	1,876	2,024	2,071	2,049	2,034	2,017	2,116	2,126	2,120
802 Veterans non-service-connected pensions.....	700	801	884	950	1,037	1,152	1,265	1,532	1,635	1,698	1,743	1,777
803 Veterans readjustment benefits.....	789	879	943	977	1,025	864	725	559	388	-13	6	-290
804 Veterans hospitals and medical care.....	782	727	788	801	856	921	961	1,030	1,084	1,145	1,240	1,246
805 Other veterans benefits and services.....	339	286	331	266	242	280	266	259	279	240	248	229
Total, veterans benefits and services.....	4,341	4,522	4,810	4,870	5,184	5,287	5,266	5,414	5,403	5,186	5,362	5,081

See footnotes at end of table, p. 461.

Table 18. ADMINISTRATIVE BUDGET AND TRUST EXPENDITURES BY FUNCTION, 1954-65 (in millions of dollars)—Continued

Description	Actual										Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
<b>ADMINISTRATIVE BUDGET FUNDS—Con.</b>												
850 Interest:												
851 Interest on the public debt .....	6,382	6,370	6,787	7,244	7,607	7,593	9,180	8,957	9,120	9,895	10,600	11,000
852 Interest on refunds of receipts .....	83	62	54	57	74	69	76	83	68	74	90	90
853 Interest on uninvested funds .....	5	5	6	6	8	9	10	10	10	11	11	12
Total, interest .....	6,470	6,438	6,846	7,307	7,689	7,671	9,266	9,050	9,198	9,980	10,701	11,101
900 General government:												
901 Legislative functions .....	49	60	76	90	89	102	109	118	135	131	141	138
902 Judicial functions .....	29	31	38	40	44	47	49	52	57	63	68	72
903 Executive direction and management .....	11	12	12	12	19	21	20	22	22	21	24	24
904 Central fiscal operations .....	449	431	475	476	502	566	558	607	653	715	800	838
905 General property and records management .....	157	168	173	201	245	295	372	372	419	444	540	561
906 Central personnel management .....	93	96	304	602	84	95	84	140	153	142	175	106
908 Protective services and alien control .....	186	185	220	219	233	255	263	289	300	323	338	351
910 Other general government .....	253	183	278	100	69	86	88	109	136	139	154	148
Total, general government .....	1,226	1,166	1,576	1,738	1,284	1,466	1,542	1,709	1,875	1,979	2,238	2,238
Allowance for attack on poverty .....												250
Allowance for civilian pay comparability .....												544
Allowance for contingencies .....											250	300
Interfund transactions .....	-235	-181	-315	-467	-567	-355	-694	-654	-633	-513	-685	-600
Total, administrative budget funds .....	67,537	64,389	66,224	68,966	71,369	80,342	76,539	81,515	87,787	92,642	98,405	97,900



TRUST FUNDS													
050	National defense .....	146	164	143	93	344	229	256	196	366	679	867	1,231
150	International affairs and finance .....	101	45	-29	13	1	21	48	13	15	44	86	99
250	Space research and technology .....											*	2
350	Agriculture and agricultural resources .....	137	73	288	426	357	645	458	416	398	507	475	442
400	Natural resources .....	45	61	79	85	101	94	116	183	112	122	138	107
500	Commerce and transportation .....	-101	-97	-101	866	1,401	2,493	2,831	2,505	2,662	2,877	3,394	3,466
550	Housing and community development .....	-296	231	461	1,044	-295	1,263	1,439	-273	1,524	-36	1,628	456
650	Health, labor, and welfare .....	6,036	7,423	7,999	9,585	12,775	14,306	16,358	19,236	20,382	21,855	22,669	23,549
700	Education .....	1	1	1	1	1	1	1	1	1	2	2	2
800	Veterans benefits and services .....	779	628	606	608	671	651	673	811	733	835	642	495
900	General government .....	9	6	8	8	10	10	17	16	20	19	18	18
	Deposit funds .....	-128	57	169	217	-29	-60	-78	203	-544	146	-116	-17
	Interfund transactions .....	-18	-16	-12	-10	-11	-135	-908	-515	-528	-505	-488	-477
Total, trust funds .....		6,711	8,577	9,611	12,938	15,325	19,521	21,212	22,793	25,141	26,545	29,315	29,372

\* Less than one-half million dollars.

<sup>1</sup> Former subfunctions 051, Department of Defense military functions, and 057, Military assistance, have been merged in this subfunction. Amounts shown for years prior to 1964 include estimated comparability adjustments not supportable by accounting records.

<sup>2</sup> This category was previously titled "Farm income support and production adjustment."

<sup>3</sup> The portion of the appropriation for Removal of surplus agricultural commodities, Department of Agriculture, which finances the food stamp program, has been reclassified from 351, Farm income stabilization and Food for Peace, to 655, Other welfare services.

<sup>4</sup> Amounts shown for 1963 through 1965 include the Public Works acceleration program which supplements expenditures in various other categories.

<sup>5</sup> The amounts shown for expenditures under proposed legislation will subsequently be charged to subfunctions 701, 702, and 704.



Table 19. RECEIPTS FROM AND PAYMENTS TO THE PUBLIC, 1954-65 (in millions of dollars)

Description	Actual										Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
<b>RECEIPTS FROM THE PUBLIC</b>												
Individual income taxes.....	29,542	28,747	32,188	35,620	34,724	36,719	40,715	41,338	45,571	47,588	47,500	48,500
Corporation income taxes.....	21,101	17,861	20,880	21,167	20,074	17,309	21,494	20,954	20,523	21,579	23,700	25,800
Excise taxes.....	9,945	9,131	9,929	10,534	10,638	10,578	11,676	11,860	12,534	13,194	13,699	14,491
Employment taxes.....	5,382	6,166	7,228	7,520	8,565	8,767	11,067	12,405	12,561	14,862	16,777	16,996
Estate and gift taxes.....	934	924	1,161	1,365	1,393	1,333	1,606	1,896	2,016	2,167	2,335	2,740
Customs.....	542	585	682	735	782	925	1,105	982	1,142	1,205	1,275	1,460
Deposits by States, unemployment insurance.....	1,246	1,146	1,330	1,542	1,501	1,701	2,167	2,398	2,729	3,009	2,900	2,825
Veterans life insurance premiums.....	426	441	441	452	485	478	482	504	501	494	501	499
Other budget and trust receipts.....	2,508	2,834	3,249	3,171	3,730	3,851	4,766	4,905	4,288	5,641	5,678	6,432
<b>Total, receipts from the public.....</b>	<b>71,626</b>	<b>67,836</b>	<b>77,087</b>	<b>82,105</b>	<b>81,892</b>	<b>81,660</b>	<b>95,078</b>	<b>97,242</b>	<b>101,865</b>	<b>109,739</b>	<b>114,366</b>	<b>119,742</b>
<b>PAYMENTS TO THE PUBLIC</b>												
National defense.....	47,138	40,852	40,854	43,442	44,552	46,673	45,915	47,685	51,462	53,429	56,011	55,211
International affairs and finance.....	1,696	2,044	1,624	2,637	2,651	2,398	1,574	2,153	2,492	2,242	2,452	2,377
Space research and technology.....	90	74	71	76	89	145	401	744	1,257	2,552	4,400	4,992
Agriculture and agricultural resources.....	2,617	4,399	4,977	4,627	4,347	7,052	4,877	5,183	5,942	7,266	6,340	5,065
Natural resources.....	1,357	1,260	1,179	1,379	1,641	1,754	1,822	2,101	2,223	2,456	2,611	2,688
Commerce and transportation.....	1,137	1,148	1,796	2,200	3,060	4,545	4,819	5,107	5,487	5,777	6,601	6,588
Housing and community development.....	-1,009	305	396	842	-319	2,141	1,440	-103	1,691	-268	1,279	-40
Health, labor, and welfare.....	8,083	9,485	10,254	12,108	15,757	18,017	19,107	22,364	23,975	25,698	27,265	28,595
Education.....	327	378	344	439	542	733	867	945	1,052	1,214	1,302	1,641
Veterans benefits and services.....	5,042	5,114	5,328	5,448	5,828	5,910	5,907	6,187	6,092	5,971	5,950	5,525
Interest.....	4,620	4,664	5,115	5,266	5,884	5,350	7,233	7,257	6,940	7,427	8,120	8,596
General government.....	1,235	1,172	1,583	1,744	1,292	1,475	1,558	1,724	1,882	1,983	2,241	2,239
Deposit funds (net).....	-128	57	169	217	-29	-60	-78	203	-544	-194	-116	-17
Undistributed adjustments.....	-348	-415	-1,145	-420	-1,823	-1,382	-1,114	-2,006	-2,289	-1,801	-1,753	-770
<b>Total, payments to the public.....</b>	<b>71,858</b>	<b>70,537</b>	<b>72,546</b>	<b>80,006</b>	<b>83,472</b>	<b>94,752</b>	<b>94,328</b>	<b>99,542</b>	<b>107,662</b>	<b>113,751</b>	<b>122,704</b>	<b>122,690</b>
<b>Excess of receipts or payments.....</b>	<b>-232</b>	<b>-2,702</b>	<b>4,542</b>	<b>2,099</b>	<b>-1,580</b>	<b>-13,092</b>	<b>750</b>	<b>-2,300</b>	<b>-5,797</b>	<b>-4,012</b>	<b>-8,338</b>	<b>-2,948</b>

Note.—This table shows the flow of money between the Government and the public on a cash (collections and checks paid) basis, which is explained in more detail in special analysis A, pages 328 to 336.

Table 20. FEDERAL RECEIPTS AND EXPENDITURES IN THE NATIONAL INCOME ACCOUNTS, 1954-65

(Fiscal years. In billions of dollars)

Description	Actual										Estimate	
	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
<b>RECEIPTS, NATIONAL INCOME BASIS</b>												
Personal tax and nontax.....	30.4	29.9	33.5	36.7	36.3	38.7	42.3	44.0	47.6	50.1	50.1	52.3
Corporate profits tax accruals.....	17.1	18.4	21.0	20.4	17.3	21.1	21.7	19.5	21.3	21.6	23.3	24.9
Indirect business tax and nontax accruals.....	10.7	10.4	11.2	12.1	12.0	12.3	13.9	13.6	14.9	15.6	16.5	17.3
Contributions for social insurance.....	7.7	8.3	10.5	11.7	12.3	13.8	16.7	18.0	19.7	21.9	23.7	24.2
Total receipts, national income basis.....	65.9	67.0	76.3	80.9	77.8	85.9	94.5	95.2	103.6	109.3	113.6	118.8
<b>EXPENDITURES, NATIONAL INCOME BASIS</b>												
Purchases of goods and services.....	53.9	45.0	45.2	48.3	50.5	53.9	53.0	54.9	60.1	64.4	67.8	69.1
Transfer payments.....	11.9	13.8	14.2	16.1	19.4	21.8	22.8	25.9	27.8	29.2	30.5	31.8
Grants-in-aid to State and local governments.....	2.8	2.9	3.1	3.6	4.5	6.0	6.7	6.6	7.3	7.9	9.4	9.7
Net interest paid.....	4.9	4.9	5.0	5.5	5.6	5.8	6.9	7.0	7.0	7.6	8.0	8.5
Subsidies less current surplus of Government enterprises.....	1.0	1.4	1.9	3.1	2.7	2.7	2.7	3.4	4.2	3.5	3.5	2.5
Total expenditures, national income basis.....	74.5	68.1	69.5	76.5	82.8	90.3	92.1	97.8	106.4	112.6	119.1	121.5
Surplus (+) or deficit (-), national income basis..	-8.6	-1.1	+6.8	+4.4	-4.9	-4.4	+2.4	-2.7	-2.7	-3.3	-5.5	-2.8

Source.—Actual data for 1954-63 are based on the quarterly estimates published by the Department of Commerce. Data for 1964 and 1965 are based on estimates by the Bureau of the Budget in cooperation with the Department of Commerce.

## Receipts From and Payments to the Public, 1958-65

The following table presents total receipts from the public by source and payments to the public by function. These data combine the administrative budget and trust fund figures, and eliminate transactions taking place entirely within the Government. A few other adjustments are also made to shift data recorded on an accrual basis to a cash basis.

[Fiscal years. In millions of dollars]

Description	Actual						Estimate	
	1958	1959	1960	1961	1962	1963	1964	1965
<i>Receipts from the public:</i>								
Individual income taxes.....	34,724	36,719	40,715	41,338	45,571	47,588	47,500	48,500
Corporation income taxes.....	20,074	17,309	21,494	20,954	20,523	21,579	23,700	25,800
Excise taxes.....	10,638	10,578	11,676	11,860	12,534	13,194	13,699	14,491
Employment taxes.....	8,565	8,767	11,067	12,405	12,561	14,862	16,777	16,996
Estate and gift taxes.....	1,393	1,333	1,606	1,896	2,016	2,167	2,335	2,740
Customs.....	782	925	1,105	982	1,142	1,205	1,275	1,460
Deposits by States, unemployment insurance.....	1,501	1,701	2,167	2,398	2,729	3,009	2,900	2,825
Veterans life insurance premiums.....	485	478	482	504	501	494	501	499
Other budget and trust receipts.....	3,730	3,851	4,766	4,905	4,288	5,641	5,678	6,432
Total, receipts from the public.....	81,892	81,660	95,078	97,242	101,865	109,739	114,366	119,742
<i>Payments to the public:</i>								
National defense.....	44,552	46,673	45,915	47,685	51,462	53,429	56,011	55,211
International affairs and finance.....	2,651	2,398	1,574	2,153	2,492	2,242	2,452	2,377
Space research and technology.....	89	145	401	744	1,257	2,552	4,400	4,992
Agriculture and agricultural resources.....	4,347	7,052	4,877	5,183	5,942	7,266	6,340	5,065
Natural resources.....	1,641	1,754	1,822	2,101	2,223	2,456	2,611	2,688
Commerce and transportation.....	3,060	4,545	4,819	5,107	5,487	5,777	6,601	6,588
Housing and community development.....	-319	2,141	1,440	-103	1,691	-268	1,279	-40
Health, labor, and welfare.....	15,757	18,017	19,107	22,364	23,975	25,698	27,265	28,595
Education.....	542	733	867	945	1,052	1,214	1,302	1,641
Veterans benefits and services.....	5,828	5,910	5,907	6,187	6,092	5,971	5,950	5,525
Interest.....	5,884	5,350	7,233	7,257	6,940	7,427	8,120	8,596
General government.....	1,292	1,475	1,558	1,724	1,882	1,983	2,241	2,239
Deposit funds (net).....	-29	-60	-78	203	-544	-194	-116	-17
Allowances:								
Attack on poverty.....								250
Civilian pay comparability.....								544
Contingencies.....							250	300
Undistributed adjustments.....	-1,823	-1,382	-1,114	-2,006	-2,289	-1,801	-2,003	-1,864
Total, payments to the public.....	83,472	94,752	94,328	99,542	107,662	113,751	122,704	122,690
Excess of receipts (+) or payments (-).....	-1,580	-13,092	+750	-2,300	-5,797	-4,012	-8,338	-2,948

## Administrative Budget Totals and Public Debt, 1789-1965

The administrative budget surplus or deficit during a given year does not alone determine the change in the public debt. Changes in the Federal Government's cash balance and a few other factors also influence the change in the debt. A significant part of the public debt is held by Federal Government trust funds.

As explained in this booklet, the administrative budget totals are not as comprehensive as the totals for Federal receipts from and payments to the public. However, for most years prior to the beginning of social security in 1938, the differences are insignificant.

[In millions of dollars]

Fiscal year	Administrative budget receipts	Administrative budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year	Fiscal year	Administrative budget receipts	Administrative budget expenditures	Surplus (+) or deficit (-)	Public debt at end of year
1789-1849...	1,160	1,090	+70	63	1932.....	1,924	4,659	-2,735	19,487
1850-1899...	13,895	14,932	-1,037	1,437	1933.....	1,997	4,598	-2,602	22,539
1900.....	567	521	+46	1,263	1934.....	3,015	6,645	-3,630	27,053
1901.....	588	525	+63	1,222	1935.....	3,706	6,497	-2,791	28,701
1902.....	562	485	+77	1,178	1936.....	3,997	8,422	-4,425	33,779
1903.....	562	517	+45	1,159	1937.....	4,956	7,733	-2,777	36,425
1904.....	541	584	-43	1,136	1938.....	5,588	6,765	-1,177	37,165
1905.....	544	567	-23	1,132	1939.....	4,979	8,841	-3,862	40,440
1906.....	595	570	+25	1,143	1940.....	5,137	9,055	-3,918	42,968
1907.....	666	579	+87	1,147	1941.....	7,096	13,255	-6,159	48,961
1908.....	602	659	-57	1,178	1942.....	12,547	34,037	-21,490	72,422
1909.....	604	694	-89	1,148	1943.....	21,947	79,368	-57,420	136,696
1910.....	676	694	-18	1,147	1944.....	43,563	94,986	-51,423	201,003
1911.....	702	691	+11	1,154	1945.....	44,362	98,303	-53,941	258,682
1912.....	693	690	+3	1,194	1946.....	39,650	60,326	-20,676	269,422
1913.....	714	715	-*	1,193	1947.....	39,677	38,923	+754	258,286
1914.....	725	725	-*	1,188	1948.....	41,375	32,955	+8,419	252,292
1915.....	683	746	-63	1,191	1949.....	37,663	39,474	-1,811	252,770
1916.....	762	713	+48	1,225	1950.....	36,422	39,544	-3,122	257,357
1917.....	1,100	1,954	-853	2,976	1951.....	47,480	43,970	+3,510	255,222
1918.....	3,630	12,662	-9,032	12,455	1952.....	61,287	65,303	-4,017	259,105
1919.....	5,085	18,448	-13,363	25,485	1953.....	64,671	74,120	-9,449	266,071
1920.....	6,649	6,357	+291	24,299	1954.....	64,420	67,537	-3,117	271,260
1921.....	5,567	5,058	+509	23,977	1955.....	60,209	64,389	-4,180	274,374
1922.....	4,021	3,285	+736	22,963	1956.....	67,850	66,224	+1,626	272,751
1923.....	3,849	3,137	+713	22,350	1957.....	70,562	68,966	+1,596	270,527
1924.....	3,853	2,890	+963	21,251	1958.....	68,550	71,369	-2,819	276,343
1925.....	3,598	2,881	+717	20,516	1959.....	67,915	80,342	-12,427	284,706
1926.....	3,753	2,888	+865	19,643	1960.....	77,763	76,539	+1,224	286,331
1927.....	3,992	2,837	+1,155	18,512	1961.....	77,659	81,515	-3,856	288,971
1928.....	3,872	2,933	+939	17,604	1962.....	81,409	87,787	-6,378	298,201
1929.....	3,861	3,127	+734	16,931	1963.....	86,376	92,642	-6,266	305,860
1930.....	4,058	3,320	+738	16,185	1964 est.....	88,400	98,405	-10,005	311,800
1931.....	3,116	3,577	-462	16,801	1965 est.....	93,000	97,900	-4,900	317,000

\*Less than one-half million dollars.

NOTES.—Refunds of receipts are excluded from administrative budget receipts and expenditures starting in 1913; comparable data are not available for prior years.

Certain interfund transactions are excluded from administrative budget receipts and expenditures starting in 1932. For years prior to 1932 the amounts of such transactions are not significant.

## Federal Finances and the Gross National Product, 1942-64

Since the gross national product (GNP) is the total of all the goods and services produced by the Nation in a given year, its trend is a useful measure of the growth of the economy. By calculating annual Federal outlays as a percentage of GNP, it is possible to tell at a glance how these outlays have changed over a period of time in relation to the change in the economy as a whole.

Only Federal purchases of goods and services represent the use of currently produced resources by the Federal Government—in effect the Government's direct share of the GNP. In contrast, both administrative budget expenditures and Federal payments to the public include funds lent or transferred to others, or given to State and local governments, which do not represent the use of current economic resources by the Federal Government.

[Amounts in billions of dollars]

Fiscal year	Gross national product	Administrative budget expenditures		Cash payments to the public		Federal purchases of goods and services		Public debt	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1942.....	140.5	34.0	24.2	34.5	24.6	30.0	21.4	72.4	51.5
1943.....	178.4	79.4	44.5	78.9	44.2	72.4	40.6	136.7	76.6
1944.....	202.8	95.0	46.8	94.0	46.4	85.6	42.2	201.0	99.1
1945.....	218.3	98.3	45.0	95.2	43.6	90.0	41.2	258.7	118.5
1946.....	202.8	60.3	29.7	61.7	30.4	41.3	20.4	269.4	132.8
1947.....	223.3	38.9	17.4	36.9	16.5	16.8	7.5	258.3	115.7
1948.....	246.6	33.0	13.4	36.5	14.8	16.6	6.7	252.3	102.3
1949.....	261.6	39.5	15.1	40.6	15.5	21.8	8.3	252.8	96.6
1950.....	263.8	39.5	15.0	43.1	16.3	20.0	7.6	257.4	97.6
1951.....	310.8	44.0	14.2	45.8	14.7	26.4	8.5	255.2	82.1
1952.....	338.8	65.3	19.3	68.0	20.1	47.8	14.1	259.1	76.5
1953.....	359.7	74.1	20.6	76.8	21.4	56.8	15.8	266.1	74.0
1954.....	362.0	67.5	18.6	71.9	19.9	53.9	14.9	271.3	74.9
1955.....	377.0	64.4	17.1	70.5	18.7	45.0	11.9	274.4	72.8
1956.....	408.5	66.2	16.2	72.5	17.8	45.2	11.0	272.8	66.8
1957.....	433.0	69.0	15.9	80.0	18.5	48.3	11.2	270.5	62.5
1958.....	440.2	71.4	16.2	83.5	18.9	50.5	11.5	276.3	62.8
1959.....	466.5	80.3	17.2	94.8	20.3	53.9	11.6	284.7	61.0
1960.....	494.6	76.5	15.5	94.3	19.1	53.0	10.7	286.3	57.9
1961.....	505.0	81.5	16.1	99.5	19.7	54.9	10.9	289.0	57.2
1962.....	538.9	87.8	16.3	107.7	20.0	60.1	11.2	298.2	55.3
1963.....	568.4	92.6	16.3	113.8	20.0	64.4	11.3	305.9	53.8
1964 (estimate).....	603.0	98.4	16.3	122.7	20.3	67.8	11.2	311.8	51.7



## Expenditures and New Obligational Authority by Agency

The following table indicates the 1965 expenditure estimates for the major agencies of the Federal Government. It also shows the amount of spending authority being requested for each agency. Because of the long lead time required to design, order, produce, and deliver such complex goods as military and space equipment, and for other reasons, not all the new obligational authority granted will result in expenditures during the same year.

[Fiscal year 1965 estimate. In millions of dollars]

Description	Expenditures		New obligational authority <sup>1</sup>	
	Administrative budget funds	Trust funds	Administrative budget funds	Trust funds
Legislative Branch.....	179	2	200	2
The Judiciary.....	72	*	72	1
Executive Office of the President.....	28		29	
Funds appropriated to the President:				
Foreign assistance—economic.....	2,150	3	2,392	3
Public works acceleration program.....	245		5	
Other.....	138	*	404	*
Department of Agriculture.....	5,815	52	5,956	55
Department of Commerce.....	833	3,673	923	3,817
Department of Defense:				
Military.....	51,200	1,230	50,880	1,330
Civil.....	1,192	27	1,214	26
Department of Health, Education, and Welfare.....	5,853	17,519	7,649	17,499
Department of the Interior.....	1,148	64	1,213	54
Department of Justice.....	343	22	368	
Department of Labor.....	667	3,443	831	3,933
Post Office Department.....	475		551	
Department of State.....	382	9	377	9
Treasury Department.....	12,335	19	12,394	19
Atomic Energy Commission.....	2,735	1	2,693	1
Federal Aviation Agency.....	829		751	
General Services Administration.....	578	*	632	*
Housing and Home Finance Agency.....	149	138	749	147
National Aeronautics and Space Administration.....	4,990	2	5,304	*
Veterans Administration.....	5,066	489	5,444	714
Other agencies.....	-84	2,739	1,142	3,788
District of Columbia.....	88	417	72	419
Allowances:				
Attack on poverty.....	250		500	
Civilian pay comparability.....	544		544	
Contingencies.....	300		500	
Subtotal.....	98,500	29,849	103,789	31,817
Deduct interfund transactions.....	600	477		
Total.....	97,900	29,372	103,789	31,817

\* Less than one-half million dollars.

<sup>1</sup> Of which \$12.4 billion in administrative budget funds and \$27.6 billion in trust funds do not require current action by the Congress.

## Government Employment and Population, 1942-65

The following table presents data on employment and population. The figures for the Federal Government include all employment—full-time and part-time—in the executive branch. Legislative and judicial branch employment is excluded.

Both the total population and State and local employment have risen more than Federal executive branch employment in the last two decades. This trend will continue in 1965.

Year	Government employment				Population	
	Federal executive branch (thousands)	State and local government (thousands)	All government units (thousands)	Federal as percent of all government units	Total United States (thousands)	Federal employment per 1,000 population
1942	2,272	3,310	5,582	40.7	135,361	16.8
1943	3,274	3,184	6,458	50.7	137,250	23.9
1944	3,304	3,092	6,396	51.7	138,916	23.8
1945	3,787	3,104	6,891	55.0	140,468	27.0
1946	2,666	3,305	5,971	44.6	141,936	18.8
1947	2,082	3,568	5,650	36.8	144,698	14.4
1948	2,044	3,776	5,820	35.1	147,208	13.9
1949	2,075	3,906	5,981	34.7	149,767	13.9
1950	1,934	4,078	6,012	32.2	152,271	12.7
1951	2,456	4,031	6,487	37.9	154,878	15.9
1952	2,574	4,134	6,708	38.4	157,553	16.3
1953	2,532	4,282	6,814	37.2	160,184	15.8
1954	2,382	4,552	6,934	34.4	163,026	14.6
1955	2,371	4,728	7,099	33.4	165,931	14.3
1956	2,372	5,064	7,436	31.9	168,903	14.0
1957	2,391	5,387	7,778	30.7	171,984	13.9
1958	2,355	5,681	8,036	29.3	174,882	13.5
1959	2,355	5,907	8,262	28.5	177,830	13.2
1960	2,371	6,233	8,604	27.6	180,676	13.1
1961	2,407	6,520	8,927	27.0	183,742	13.1
1962	2,485	6,823	9,308	26.7	186,591	13.3
1963	2,490	7,141	9,631	25.9	189,278	13.2
1964 (estimate)	2,512			25.2		13.1
1965 (estimate)	2,511			24.5		12.9

Notes:

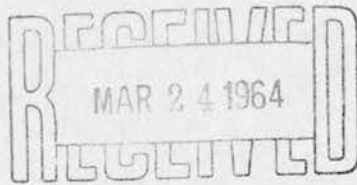
Employment data are for June.

Population data are for July 1 and include Hawaii and Alaska.

An official projection of population and of State and local government employment for 1964 and 1965 is not available. The percentages and ratios shown for these years are consistent with a range of reasonable estimates based on recent trends in population and State and local employment.



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## **LEGISLATIVE ANALYSIS**

ANALYSIS OF THE FISCAL 1965 FEDERAL BUDGET

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Scope Of This Analysis

The purpose of this report is to present a factual analysis of the federal budget for the fiscal year 1965. The report does not attempt to analyze the arguments for or against the budget increases and reductions proposed or the programs involved.

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## ANALYSIS OF THE FISCAL 1965 FEDERAL BUDGET

### INTRODUCTORY SUMMARY

The basic function of the annual Budget of the United States Government, submitted to the Congress by the President each January, is to transmit to the Congress the requests of the Executive Branch for authority to obligate and spend federal funds.

The budget for the 1965 fiscal year, submitted by President Johnson on January 21, 1964, proposes appropriations and other forms of "new obligational authority" totaling \$139,842,329,000, the greater part of which requires current action by the Congress. <sup>1/</sup>

The new obligational authority sought through the fiscal 1965 federal budget may be broken down as follows:

Administrative budget supplemental for	
fiscal 1964 . . . . .	\$ 4.2 billion
In administrative budget for fiscal 1965 . . . . .	103.8 billion
In trust funds for fiscal 1965 . . . . .	31.8 billion

Not all of the proposed new obligational authority is "new" in the sense of requiring current action by the Congress, since \$40 billion out of the total of \$139.8 billion is in the form of permanent appropriations or other types of continuing obligational authority which do not require further congressional action. Nevertheless, the full amount is new in the sense that it represents additional amounts that either are sought through current action by the legislative body or will automatically accrue for the new fiscal year under authority of prior enactments.

In addition to the new obligational authority budgeted for fiscal 1965 of \$103.8 billion in the administrative budget and \$31.8 billion in trust funds, there will be under budget estimates a carry-over into the new fiscal period of unspent obligational authority from prior years amounting to \$90.4 billion for the administrative budget and \$69.8 billion for trust funds. These items would represent an aggregate of \$295.8 billion of unspent obligational authority which -- on the assumption of approval without modification of the proposed new obligational authority -- would be available at the start of the 1965 fiscal year.

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<sup>1/</sup> "New obligational authority" is a grant by law of authority permitting government agencies to enter into obligations requiring either immediate or future payment of money. For further definitive description of the term, see The Budget of the United States Government--Fiscal Year Ending June 30, 1965, pp. 146-7, and M.L. Weidenbaum, Federal Budgeting--The Choice of Government Programs, (Washington: American Enterprise Institute for Public Policy Research, February 1964), pp. 23-34.

With respect to the carry-over into the new fiscal period of obligational authority from prior years, the estimates are that of the \$90.4 billion for the administrative budget, \$46.5 billion would be already obligated and \$43.9 billion would be unobligated. Correspondingly, of the \$69.8 billion carry-over for trust funds, \$9.3 billion would be obligated and \$60.5 billion would be unobligated.

#### Programing of Federal Fiscal Operations

Serving as the blueprint for the planned fiscal operations of the Federal Government in fiscal 1965, the budget performs a variety of important functions in addition to that of petitioning the legislative body for authority for federal agencies to enter into new fiscal commitments. To summarize:

It identifies a series of new program and expenditure proposals recommended by the President for adoption by the Congress.

It presents the specifics of the plans of the Executive Branch for expansions of fiscal commitments of the Federal Government in some budget areas and for reductions in other areas.

It offers a financial accounting which, subject to actions of the Congress and contingent upon the accuracy of estimates of receipts and expenditures, forecasts that in the 1965 fiscal year the Federal Government will collect cash receipts from the public of \$119.7 billion, will make cash payments to the public of \$122.7 billion, and thus will sustain an operating deficit of about \$3 billion.

In the course of carrying out its functions, the budget also provides: (1) Detailed comparative data for recent years as to obligating authority, receipts, and expenditures, broken down and analyzed both as to individual departments and agencies and as to functional purposes; (2) formal submission of item-by-item requests for appropriations and other forms of obligational authorizations, together with sustaining data; (3) suggested language for the appropriation bills, and (4) a variety of special analyses pertaining to the budget.

#### Administrative Budget Financing

Because of common practice in the publicizing of federal budget data, the public concept of the federal budget often is restricted to the administrative-budget portion of the budget as a whole. For example, the President's reference in his 1964 State of the Union Message to programed expenditures of \$97.9 billion and new obligational authority of \$103.8 billion in the 1965 fiscal year pertained only to the administrative budget.

The administrative budget covers, in general, the day-by-day operations of the Federal Government, exclusive of activities financed through various trust funds held in a fiduciary capacity by the Government. Government agencies covered by the administrative budget are financed, for the most part, out of tax and other receipts of the general fund of the Government.

Essentials of the administrative budget financing reflected in the fiscal 1965 budget may be summarized -- in billions of dollars, by fiscal years -- as follows:

	1963	1964	1965
New obligational authority . . . .	\$102.3	\$102.6	\$103.8
Receipts . . . . .	86.4	88.4	93.0
Expenditures . . . . .	92.6	98.4	97.9
Deficit . . . . .	6.3	10.0	4.9

In the above summary of the administrative budget, amounts of new obligational authority are as enacted for fiscal 1963; represent \$98.3 billion as enacted and \$4.2 billion of proposed supplemental appropriations for fiscal 1964, and are as proposed for fiscal 1965. The receipts, expenditures, and deficit figures are on an actual basis for fiscal 1963 and as estimated for fiscal 1964 and 1965.

The budget document estimates of receipts also are contingent upon a mid-1964 extension of excise taxes at present rates and upon the passage of the tax reduction bill pending in the Senate at the time of the budget submission. The tax reduction bill, with certain amendments, was enacted on February 26, 1964.

Data summarized in this introductory section are detailed and discussed in succeeding sections of this Analysis, as follows:

New Obligational Authority -- Administrative Budget  
Expenditures -- Administrative Budget  
Financing of Trust Fund Operations  
Budgeted Receipts of the Federal Government

Also, Appendix A provides a detailed, agency-by-agency comparison of obligational authority grants for fiscal 1964 and requested new obligational authority for fiscal 1965.

New Obligational Authority and Expenditures in Administrative Budget

In his Budget Message, President Johnson described the new budget as a "budget of economy and progress." He referred, on the one hand, to the achievement of a half-billion-dollar reduction from the preceding year in total estimated administrative budget expenditures. On the other hand, he pointed to expansions in some budget areas, offset by expenditure reductions elsewhere, for his proposed program to combat poverty and for the accomplishment of other aims of his Administration.

With respect to amounts of requested new obligational authority, the Budget Message pointed out that while the requested 1965 amount was \$1.2 billion above the amount now programmed for fiscal 1964, it was \$4.1 billion less than was originally requested a year earlier for the current fiscal period.

The proposed administrative-budget financing is examined in detail in succeeding sections of this Analysis. In summary, the examination shows the following facts:

1. The total of additional new obligational authority sought through the fiscal 1965 budget submission is \$108 billion, including the \$4.2 billion for fiscal 1964 as well as the proposed \$103.8 billion for fiscal 1965. Of the \$4.2 billion supplemental amount earmarked for fiscal 1964, approximately \$2.3 billion is for the purpose of funding late-1963 enactments or for other purposes generally regarded as being typical of deficiency appropriation requests. However, the remaining amount of approximately \$1.9 billion of fiscal 1964 supplemental requests is comprised of requested appropriations for the funding of proposed legislation not enacted at the time of the budget submission, of \$1.4 billion of contract authorization to finance urban renewal activities in fiscal 1965 and 1966, and of certain other items new to the budget.

Many students of the budget believe that this latter \$1.9 billion is essentially "new" in purpose and reasonably may be regarded as being, except for the budgetary assignment to the 1964 fiscal period, of the same character as requested new obligational authority for fiscal 1965. Under such a treatment of new obligational authority proposed through the fiscal 1965 budget, some budget analysts believe a reasonable comparison would show a total of \$105.7 billion of obligational authority that is essentially "new" in purpose (\$103.8 billion for fiscal 1965 plus \$1.9 billion) as against a total of \$100.6 billion either already enacted (\$98.3 billion) or assignable to fiscal 1964 for established purposes. (See pages 12-14 of this Analysis.) On this basis, it is pointed out, the indicated growth in requested new authority to obligate and ultimately expend administrative budget funds is approximately five billion dollars.

2. In a direct comparison of proposed new obligational authority for fiscal 1965 with obligational authority assigned to fiscal 1964 (enacted and proposed supplemental), the areas of major increases are generally those of new program proposals, military pay, operation and maintenance of the military establishment, civil defense, existing programs of the Department of Health, Education, and Welfare, the manpower development and training program, interest on the national debt, and operating expenses of the National Science Foundation. Areas of major reductions are those of procurement and research, development, test, and evaluation of the Department of Defense, activities of the Department of Agriculture, and operations of certain public enterprise funds. Also, the provision for the financing of 1965 and 1966 urban renewal activities through a supplemental request for fiscal 1964 accounts for a substantial reduction item.

The means by which major increases in requested amounts of new obligational authority for fiscal 1965 over 1964 in some areas of the budget are largely offset by reductions elsewhere may be summarized as follows:

Increases in proposed NOA (new obligational authority) for new program proposals (see Table 2, page 17) . . . . .	(+) \$2.5 billion
Major increases for expansions of existing programs (see Table 3, page 22) . . . . .	(+) 4.9 billion
Major NOA reductions reflecting curtailments of activities (see Table 4, page 24). . . . .	(-) 2.7 billion
Major NOA reductions resulting principally from circumstances not affecting operating activities of federal agencies (also Table 4, page 24). . . . .	(-) 3.7 billion
Net effect of other (not listed in Tables 3 and 4) NOA increases and reductions . . . . .	(+) 0.2 billion

Circumstances under which a \$3.7 billion leeway for increases elsewhere are provided by NOA reductions that do not appear to affect the scope of operating activities in fiscal 1965 of the federal agencies involved are described in Table 4 to which reference is made above and in Appendix A of this Analysis. Among these circumstances are the reimbursement of the Commodity Credit Corporation for only a portion of a year's losses on farm commodity price support programs, the proposed use of loan receipts to reduce appropriation requirements of the Rural Electrification Administration, the previously described provisions for the financing



of urban renewal activities, proposed changes in methods of financing certain programs, and increased use of receipts, balances, and private financing in some instances.

3. The budgeted expenditure figures, which for fiscal 1964 and 1965 necessarily are estimates, reflect an administrative-budget reduction for fiscal 1965 as compared with fiscal 1964 of \$505 million -- but an increase over actual expenditures in fiscal 1963 of \$5.3 billion. In a comparison of estimated expenditures for fiscal 1965 with those for fiscal 1964, there is a combination of numerous increases and reductions. The largest dollar-volume increases are for special allowances for proposed new programs, for the National Aeronautics and Space Administration, for interest on the national debt, for the Department of Health, Education, and Welfare, and for the Department of Labor. The largest expenditure reductions are those for the Department of Agriculture (\$1.2 billion) and the Department of Defense (\$1.1 billion.)

4. The nature of estimated expenditure increases and reductions for fiscal 1965 as compared with fiscal 1964 -- and the extent to which increases are offset by reductions -- may be summarized as follows:

Increases for new program proposals (see Table 6, page 31) . . . . .	(+) \$1.4 billion
Major increases for existing programs and activities (also Table 6, page 31) . . . . .	(+) 3.2 billion
Major reductions reflecting cutbacks in activities and programs (see Table 7, page 34).(-)	3.1 billion
Major reductions not appearing to reflect curtailments of programs and activities (also Table 7, page 34). . . . .	(-) 2.1 billion
Net effect of other (not listed in Tables 6 and 7) expenditure increases and reductions . .(+)	0.1 billion

Comparable to the situation with respect to new obligational authority, a leeway of some \$2.1 billion for increases elsewhere is provided by estimated expenditure reductions that do not appear to reflect curtailments of operating activities and programs of federal agencies. The circumstances under which this leeway is provided involve principally the expectation of lower wheat prices, changes in methods of financing certain programs, a change in the method of scheduling payments of public assistance grants, anticipation of increased postal receipts, and sales of assets and use of balances and increased receipts of public enterprise funds.

A further consideration bearing upon a comparison of estimated expenditures in the 1964 and 1965 fiscal years is the fact that the comparison would be affected by any over-estimate or under-estimate for either year. Data presented later in this Analysis (pages 36-37) indicate that if experience of recent years with respect to the percentage relationships between expenditures and new obligational authority should obtain, the expenditure total for fiscal 1964 would be appreciably less than the \$98.4 billion estimate projected in the 1965 budget document.

#### Obligations Incurred

Amounts of obligations incurred within fiscal periods constitute a significant yardstick of federal fiscal operations.

Obligations are incurred when, within the limits of available obligational authority and of apportionments by the Bureau of the Budget, federal agencies place orders or award contracts, hire personnel, or otherwise take actions that obligate the funds available to them. <sup>2/</sup>

The new budget document shows that for the administrative budget the total of obligations actually incurred in fiscal 1963 was \$94.7 billion. Correspondingly, the estimated totals of obligations to be incurred are \$103.3 billion for fiscal 1964 and \$105.3 billion for fiscal 1965.

Thus the budget contemplates that, in contrast to the projected half-billion-dollar reduction in expenditures, there will be an increase for fiscal 1965 over fiscal 1964 of approximately \$2 billion in the amount of administrative budget funds to be obligated.

#### Trust Fund Operations

Federal trust fund operations represent integral components of the federal budget and encompass important programs and activities, but they are largely exempt from current, annual appropriating actions by the Congress. This is because in most instances the amounts disbursed are determined by statutory formulas and are financed through permanent obligational authority not requiring annual congressional review.

For the trust funds, the budgeted obligational authority and expenditure data, summarized in billions of dollars, for fiscal years, are as follows:

---

<sup>2/</sup> For a more detailed discussion of administrative apportionment of funds and incurrence of obligations, see M. L. Weidenbaum, Federal Budgeting -- the Choice of Government Programs (Washington: American Enterprise Institute for Public Policy Research, February 1964), pp. 32-3.

	1963	1964	1965
New obligational authority . . . .	\$28.6	\$31.7	\$31.8
Expenditures <u>3/</u> . . . . .	26.5	29.3	29.4

Of the \$31.8 billion of budgeted new obligational authority among trust funds for fiscal 1965, only \$4.2 billion (chiefly highway aid funds) requires current action by the Congress.

Major programs financed through trust funds are the old age and survivors insurance and disability insurance programs, federal highway aid, the federal-state unemployment compensation program, federal railroad unemployment insurance and retirement programs, and the Civil Service retirement program.

Budgetary data for the trust fund operations are presented in greater detail in a later section (pages 38-41) of this Analysis.

#### Budgeted Federal Receipts for Fiscal 1965

The fiscal 1965 federal budget assumes that, contingent upon passage of the tax reduction bill which was pending at the time of the budget submission (and enacted with amendments on February 26, 1964,) there will be in fiscal 1965 a \$1 billion gain in individual income tax collections and a \$2.1 billion gain in corporation income taxes. The over-all increase in administrative-budget receipts, as compared with estimated fiscal 1964 receipts, is estimated at \$4.6 billion. The receipts totals (in billions) shown in the budget are:

	Fiscal 1963 Actual	Fiscal 1964 Estimate	Fiscal 1965 Estimate
Individual income taxes . . . . .	\$47.6	\$47.5	\$48.5
Corporation income taxes . . . . .	21.6	23.7	25.8
Other, administrative budget . . . . .	17.2	17.2	18.7
Total, administrative budget . . . . .	86.4	88.4	93.0
Trust fund receipts . . . . .	27.7	30.2	30.9
Intragovernmental transactions . . . . .	- 4.3	- 4.2	- 4.1
Total cash receipts from the public . . . . .	109.7	114.4	119.7

It is anticipated in the budget that these receipts will result from economic acceleration, stimulated in part by tax reduction, to a gross-national-product level of \$623 billion in the 1964 calendar year.

3/ Estimated basis for fiscal 1964 and 1965.

Under these circumstances, according to budget calculations, the direct revenue losses from tax reduction will be overcome and the expected increase in revenues will be generated.

Further detail regarding the revenue side of the federal budget and Executive recommendations for legislation affecting taxes and other receipts are outlined at pages 42 through 47 of this Analysis.

#### Civilian Employment in Executive Branch

The 1965 federal budget forecasts, for fiscal 1965, as compared with fiscal 1964, a net reduction of 1,200 persons in civilian employment in the Executive Branch of the Government. 4/

Totals of such civilian employment, as shown in the budget, are 2,490,288 persons for fiscal 1963, 2,512,400 for fiscal 1964, and 2,511,200 for fiscal 1965. The figures refer to number of employees working on June 30, plus part-time and intermittent employees who work at any time during the month of June.

The figures include, according to the budget document, tentative estimates for employment under proposed appropriations for new programs that will require basic authorizing legislation.

Among the departments and agencies, the largest employment reduction budgeted to occur during fiscal 1965 is a drop from 1,007,000 to 989,920 -- a reduction of 17,080 -- in the number of civilian employees engaged in military and military-assistance functions of the Department of Defense. The largest scheduled personnel increases are 4,800 in the Post Office Department and 4,730 in the Department of Health, Education, and Welfare. Details for departments and major independent agencies are shown in Appendix B.

4/ Source: The Budget of the United States Government -- Fiscal Year Ending June 30, 1965 (hereinafter referred to in footnotes as "Budget of the United States Government -- 1965"), p. 53.



# NEW OBLIGATIONAL AUTHORITY -- ADMINISTRATIVE BUDGET

As previously noted, "new obligational authority" consists of grants of authority, becoming available during a new fiscal year, for the obligation and disbursement of federal funds. In the instance of much of the obligational authority granted for a fiscal year, the incurrence of obligations is limited to that year, although expenditures may occur later. In other instances, depending upon the statutory language, new obligational authority may extend for a longer, specified period or may be without a time limit on its use.

In the interest of brevity, the abbreviation of "NOA" will be utilized from this point on, in most instances, to designate "new obligational authority."

For the most part, NOA consists of ordinary appropriations enacted by the Congress. However, NOA also embraces other forms of obligational authority, including contract authorizations (authority to obligate through contracts that later require a special-type appropriation for their liquidation,) and authorizations to expend from debt receipts (permitting use of borrowed money to incur obligations and make expenditures.) Although the bulk of NOA is current in character, being granted year by year, the permanent authorizations that permit additional funds to become available without further action by the Congress account, as has been shown, for a substantial portion of the financing of the Government.

Because NOA is basic authority for the obligation and eventual expenditure of public funds, the NOA figures have a significance not possessed by expenditure estimates. As presented in the budget document, expenditure estimates are estimates by administrative agencies and the U.S. Bureau of the Budget as to amounts of cash expenditures that will be made during a fiscal year. As long as the expenditures are kept within limits of obligational authority granted for the current year or carried over from prior years, the amounts of expenditures largely are discretionary with the Bureau of the Budget and administrative agencies and, in the main, are not otherwise controlled by the Congress.

## Comparison of 1963, 1964 and 1965 NOA

Comparative NOA totals in the fiscal 1965 federal budget, by departmental and major agency breakdowns, for fiscal 1963 as enacted, fiscal 1964 enacted and proposed supplemental, and fiscal 1965 as proposed, are shown in the accompanying Table 1.

A more detailed breakdown comparing fiscal 1964 and 1965 NOA for individual agencies within departments may be found in Appendix A of this Analysis.

TABLE 1

## NEW OBLIGATIONAL AUTHORITY -- ADMINISTRATIVE BUDGET (In millions of dollars)

Administrative Budget Funds	Fiscal 1963 Enacted	Fiscal 1964			Fiscal 1965 Proposed
		Enacted	Supple- mental Proposed	Total	
Legislative Branch.....	\$ 160	\$ 156	\$ *	\$ 156	\$ 200
The Judiciary.....	64	67	*	67	72
Executive Office of the President....	24	25	--	25	29
Funds Appropriated to the President..	5,663	2,262	--	2,262	2,801
Department of Agriculture.....	8,032	7,189	76	7,265	5,956
Department of Commerce.....	813	792	8	800	923
Dept. of Defense--Military.....	51,120	49,913	1,087	51,000	50,880
Dept. of Defense--Civil.....	1,092	1,148	2	1,150	1,214
Dept. of Health, Education, and Welfare	5,333	5,246	857	6,102	7,649
Department of the Interior.....	1,134	1,164	20	1,184	1,213
Department of Justice.....	319	344	1	345	368
Department of Labor.....	362	350	120	470	831
Post Office Department.....	840	654	--	654	551
Department of State.....	423	353	82	435	377
Treasury Department.....	11,046	11,861	13	11,874	12,394
Atomic Energy Commission.....	3,135	2,743	--	2,743	2,693
Federal Aviation Agency.....	755	813	--	813	751
General Services Administration.....	622	631	3	635	632
Housing and Home Finance Agency.....	785	794	1,409	2,203	749
National Aeronautics and Space Administration.....	3,673	5,100	141	5,241	5,304
Veterans Administration.....	5,534	5,536	17	5,553	5,444
Other independent agencies.....	1,285	1,115	*	1,116	1,142
District of Columbia.....	70	60	--	60	72
Allowance for attack on poverty.....	--	--	--	--	500
Allowance for civilian pay com- parability.....	--	--	--	--	544
Allowance for contingencies.....	--	--	400	400	500
Total administrative budget	102,283	98,317	4,237	102,554	103,789

\* Less than \$500 thousand.

Source: The Budget of the United States Government--1965, p. 44.

The NOA totals in the administrative budget accounts may be summarized as follows:

1963 enacted . . . . .	\$102.3 billion
1964 as originally requested (in Jan., 1963) . . . . .	\$107.9 billion
1964 enacted . . . . .	\$ 98.3 billion
Proposed 1964 supplemental . . . . .	\$ 4.2 billion

1964 total, enacted and proposed supplemental . . . . .	\$102.5 billion
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1965 total requested . . . . .	\$103.8 billion
Increase, 1965 over 1963 . . . . .	\$ 1.5 billion
Increase, 1965 over 1964 enacted . . . . .	\$ 5.5 billion
Increase, 1965 over 1964 total as proposed . . . . .	\$ 1.3 billion

Total NOA requested in fiscal 1965 budget, for fiscal 1964 and 1965 . . . . .	\$108.0 billion
* * * *	

Comparable NOA totals, as enacted, for recent years: 1/

Fiscal 1955 . . . . .	\$57.1 billion
Fiscal 1960 . . . . .	79.6 billion
Fiscal 1961 . . . . .	86.7 billion
Fiscal 1962 . . . . .	92.9 billion
* * * *	

Of the NOA totals above pertaining to the 1965 fiscal year, a significant figure is the \$108.0 billion total NOA requested in the fiscal 1965 budget, for the 1964 and 1965 fiscal years. This is the aggregate obligational authority, within the administrative budget, sought from the Congress through the budget submission of January 21, 1964.

The \$108.0 billion of NOA sought through the 1965 budget document, however, may not accurately be compared with the \$98.3 billion of enacted NOA for fiscal 1964 for the reason that it is customary for the Congress to wait until the second half of a fiscal year (January through June) to enact supplemental appropriations that will fill out the NOA for that year. Typically, the supplementary appropriation actions are utilized to fund new programs created by legislation enacted during the preceding congressional session, but for which appropriations were not made, and to adjust NOA to more recently discovered obligational needs.

An analysis of the \$4.2 billion of supplemental NOA currently proposed for fiscal 1964 reveals that of that total \$1,628,320,000 is earmarked primarily for financing, during the current fiscal year, the requirements of new legislation enacted during the 1963 congressional session. The largest item for this purpose is \$866,080,000 to fund military personnel

1/ Source: U.S. budget documents for, respectively, fiscal years 1957, 1962, 1963, and 1964.

pay increases under the Uniformed Services Pay Act of 1963. Other substantial items of proposed 1964 supplemental NOA to fund 1963 enactments include \$266,750,000 for the Higher Educational Facilities Act of 1963, \$95,258,000 for amendments in the Vocational Education Act of 1963, \$252,810,000 for impacted-area school payments and school construction aid under parts of the programs that were extended by late-1963 enactments, \$30,390,000 for the Health Professions Educational Assistance Act of 1963, and \$36,000,000 for the start of a program to combat mental retardation under a 1963 enactment.

The proposed supplemental NOA for fiscal 1964 includes, additionally, \$661,008,000 for purposes that generally are typical of supplemental appropriation bills. For the most part, they represent provisions for shortages that may have developed in NOA granted through original appropriation acts and for emergencies that may have developed. The major items involved here are \$234,400,000 for military personnel of the Department of Defense, described in the budget document as being needed to maintain the approved, programed military personnel strength through the remainder of the current fiscal period; \$159,600,000 for public assistance grants to states distributed by the Department of HEW, and \$30,000,000 for the Department of Labor for unemployment compensation payments to veterans and former federal employees. Also, the \$661 million figure includes \$141 million of additional funds for fiscal 1964 requested by the President for the National Aeronautics and Space Administration.

The above amounts -- for the funding of newly enacted 1963 legislation and for other purposes generally typical of supplemental appropriation bills -- account for \$2,289,328,000, or some 54 percent of the supplemental NOA requested for fiscal 1964. The remaining amount, \$1,947,310,000, is accounted for by the following items of requested supplemental NOA:

Expansion of cropland conversion program (Dept. of Agriculture) . . . . .	\$ 40,000,000
Area redevelopment grants (Dept. of Commerce) . . . . .	8,000,000
Proposed new education program (Dept. of HEW) . . . . .	5,000,000
Proposed youth employment program (Dept. of Labor) . . . . .	30,000,000
Chamizal settlement with Mexico (Dept. of State) . . . . .	39,310,000
Establishment of fund for educational exchange with Japan (Dept. of State) . . . . .	25,000,000
Contract authorization for urban renewal program, to provide funds for 1965 and 1966 (Housing and Home Finance Agency) . . . . .	1,400,000,000
Special allowance for contingencies . . . . .	400,000,000
Total	\$ 1,947,310,000

Five of the above items of requested supplemental NOA for fiscal 1964 are for the institution of new programs for which there were no authorizing enactments at the time of the budget submission. The two items for the Department of State are new to the budget in the sense that they were not



included among original fiscal 1964 requests as submitted in January, 1963. The requested \$1.4 billion contract authorization for the urban renewal program, although assigned to the 1964 fiscal year, is described in the budget document as being for the purpose of providing funds for 1965 and 1966. Also, new authorizing legislation is required before the urban renewal NOA may be granted.

All of the listed items essentially are "new" in character, regardless of the fiscal year of their origin.

Consequently, if the amounts of enacted and proposed NOA for both fiscal 1964 and fiscal 1965 were to be segregated on the basis suggested by the immediately foregoing analysis, the results would be as follows:

Fiscal 1964 NOA as enacted at time of submission of 1965 budget proposals . . . . .	\$ 98.3 billion
Newly requested supplemental NOA for fiscal 1964 earmarked for the funding of prior enactments or otherwise generally typical of supplemental appropriation requests . . . . .	2.3 billion

Total . . . . .	\$100.6 billion
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\* \* \* \*

NOA requested for fiscal 1965 . . . . .	\$103.8 billion
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Items of requested supplemental NOA for fiscal 1964 for new, non-authorized programs or otherwise reflecting new proposals for additional obligational authority . . . . .	1.9 billion
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Total . . . . .	\$105.7 billion
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On such a basis of comparison, the year's-period increase in new obligational authority sought through the fiscal 1965 budget would appear to be approximately five billion dollars.

#### Congressional Review of Proposed Obligational Authority

All of the proposed supplemental NOA designated for fiscal 1964 will be as fully subject to congressional review and appropriating actions as will the proposed NOA for the new fiscal period. In numerous instances, final appropriating actions on supplemental NOA for fiscal 1964 and many items of proposed NOA for fiscal 1965 must await enactment of basic legislation extending the appropriating authority.

In the course of its review of the budget, analysts point out, the Congress normally will reduce numerous items of requested NOA. Or the Congress may, as it has done on occasions in the past, increase some items of requested NOA or add new items of its own. Similarly, during the course of a congressional session the President may revise upward or downward his original requests for new obligational authority, or he may submit new requests.

With the close of the 1963 session of the Congress, as has been noted, the originally requested administrative budget NOA of \$107.9 billion for fiscal 1964 had been reduced to an enacted total of \$98.3 billion. This was an 8.9 percent reduction. The reduction was accomplished principally through cuts of approximately \$6.3 billion in appropriation bills voted by the Congress and by reason of lack of passage of proposed legislation that would have created a variety of new programs for which provision had been made in the original NOA requests. However, the final status of NOA enacted for fiscal 1964 will not be established until disposition has been made of the newly proposed supplemental NOA for fiscal 1964.

With respect to action on the fiscal 1963 budget, the originally submitted administrative-funds total NOA was \$99.3 billion; the total for the period including supplemental requests submitted through the next year's budget document was \$103.2 billion, and the total finally enacted for the 1963 fiscal period was \$102.3 billion. Thus there was a reduction of approximately one percent from the over-all amount requested to the total enacted.

The proposed administrative-budget NOA of \$103.8 billion for the 1965 fiscal year starts out at a figure that is \$4.1 billion lower than the NOA originally proposed for fiscal 1964. It has been suggested that the Congress may consider some substantial part of the proposed supplemental NOA for fiscal 1964 (\$4.2 billion) to be, from the practical standpoint of congressional action, allocable to fiscal 1965. <sup>2/</sup> In any event, it is pointed out, the total of NOA proposed through the new budget for both fiscal 1964 and 1965 is \$108 billion.

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<sup>2/</sup> Congressman Clarence Cannon, Chairman of the Appropriations Committee of the House of Representatives, announced on January 25, 1964, that he had abolished the Subcommittee on Deficiency Appropriations and had directed that all supplemental appropriation requests be referred to Appropriation subcommittees of proper jurisdiction. Earlier, on January 21, Congressman Cannon had stated (Congressional Record, Vol. 110, No. 10, p. 682): "We expect to examine critically all supplementals referred to the (Appropriations) Committee. A large number, for a variety of purposes, and for many agencies, are involved. Many are intimately associated with the corresponding 1965 budget request and, conversely, the 1965 level would to some extent be dependent on what was available in the current year. So we intend to consider the two in connection with each other."

While students of the budget cannot predict the outcome of the congressional action, it is apparent that as a general "rule of thumb" each one-percentage-point reduction (or increase) by the Congress in the budgeted NOA would represent a dollar-volume change of slightly in excess of one billion dollars. Hence, if action on the new budget in the 1964 congressional session should follow generally the pattern of budget action during the 1963 session, the result would be a reduction of some \$9 billion -- subject to further modification by whatever amount of deficiency appropriations that might be made later. On the other hand, if the completed action on fiscal 1965 requests follows the pattern of action on the fiscal 1963 budget, the result would be a reduction of negligible proportions.

#### New Program Proposals in 1965 Budget

New programs and other expenditure proposals of fiscal significance recommended through the fiscal 1965 budget, for which there are identifiable NOA requests in the administrative budget, are listed in Table 2. For informational purposes, estimates in the budget document of initial expenditures under the new programs also are shown.

Proposed total NOA for the new programs is \$3,368,234,000, of which \$435,000,000 is programmed for fiscal 1964 and \$2,933,234,000 for fiscal 1965.

Counterpart expenditures on these new programs are estimated at \$1,905,634,000, of which \$263,000,000 would occur in fiscal 1964 and \$1,642,634,000 in fiscal 1965.

Additionally, two other new programs were recommended in the Budget Message for which there are no specific fiscal commitments in the administrative budget. These additional programs are (1) establishment of a National Service (domestic peace) Corps, and (2) hospital care for the elderly under Social Security. The National Service Corps could be financed out of either the proposed special anti-poverty allowance or the special allowance for contingencies. Also, legislation was recommended "to improve the State unemployment insurance programs," with the explanation that such legislation "would extend coverage to more people and lengthen the duration of benefits." Legislation of this latter type would not materially affect obligations financed out of federal tax revenues, but would increase state-financed obligations.

In all instances, enactment of basic legislation creating the programs or otherwise authorizing the proposed appropriations would be prerequisite to the granting by the Congress of the new obligational authority that is sought.

In most instances, the proposed NOA and estimated expenditures for the new programs in the fiscal 1965 budget would represent beginning

TABLE 2  
NEW PROGRAM AND EXPENDITURE PROPOSALS INVOLVING  
FISCAL COMMITMENTS IN 1965 BUDGET

(Amounts in thousands of dollars)	Proposed NOA for		Estimated Expenditures through Fiscal 1965
	Fiscal 1964	Fiscal 1965	
Rural housing insurance fund (Dept. of Agriculture).....	\$ --	\$ 100,000	\$ 40,000
Pay increase for military personnel, effective Oct. 1, 1964 (Dept. of Defense).....	--	143,000	136,000
Uniform rations for all military services...	--	29,000	25,000
Education aid program (Dept. of HEW).....	5,000	718,400	121,000 <u>a/</u>
Payments to Social Security Administration for military service credits (Dept. of HEW)	--	60,000	60,000
Community work training program for welfare recipients (Dept. of HEW).....	--	50,000	35,000
Land and water conservation fund (Dept. of the Interior).....	--	40,000	14,800
Youth employment program (Dept. of Labor)...	30,000	160,000	106,000 <u>b/</u>
Urban mass transportation assistance (Housing and Home Finance Agency).....	--	75,000	10,000
Payments to Railroad Retirement Board for military service credits.....	--	13,834	13,834
Special allowances for:			
Attack on poverty.....	--	500,000	250,000
Pay increase for civilian employees.....	--	544,000	544,000
Contingencies.....	400,000	500,000	550,000 <u>c/</u>
Total	435,000	2,933,234	1,905,634 <u>d/</u>

a/ Includes \$3,000,000 estimated to be expended in fiscal 1964.

b/ Includes \$10,000,000 estimated to be expended in fiscal 1964.

c/ Includes \$250,000,000 estimated to be expended in fiscal 1964.

d/ Includes \$263,000,000 estimated to be expended in fiscal 1964.

Source: The Budget of the United States Government--1965, pp. 150-309.



fiscal commitments only -- with the expectation that institution of the programs would result, in the normal course of events, in continuing and expanding obligations in future years.

Exceptions to this rule among the new proposals listed in Table 2 would be the proposed creation of a rural housing insurance fund (NOA of \$100 million) and of the land and water conservation fund (NOA of \$40 million.) These would represent creation of revolving funds and would not necessarily require annual appropriation of additional capital amounts. However, the proposal for the land and water conservation fund contemplates that certain motorboat fuel taxes, fees and other receipts from public use of federal recreational facilities would be credited to the fund, which would be used in part for a grant-in-aid program for the development of state outdoor recreational facilities.

At the time of the budget submission, detailed recommendations of the Executive Branch with respect to the proposed new programs awaited later transmittal. Consequently, explanations in the budget document of details of the programs are meager. In most instances, however, the proposals are of the same general character as proposals that accompanied the submission of the fiscal 1964 budget and that were under consideration during the 1963 congressional session -- although the special attack-on-poverty allowance is a new budget item.

In the President's emphasis on his "attack on poverty" program, he states in his Budget Message:

Under this (attack on poverty) proposal, comprehensive community action programs would be developed, to focus the various available resources on the roots of poverty in urban and rural areas. I shall shortly transmit to the Congress legislation initiating this attack and authorizing, in 1965, \$500 million of new obligational authority specifically for this purpose. Additional funds for the local community action programs will be available from existing agency programs. Moreover, other legislative proposals, recommended elsewhere in this message, will contribute important new resources to the attack on poverty. The Youth Employment Act, the National Service Corps, and the community work and training program, are examples of such proposals. Of particular significance will be the education proposal for project grants to meet special educational needs. All told, in 1965 more than \$1 billion of federal resources under existing and proposed legislation would be concentrated, through local community action programs, in an intensive and coordinated attack on poverty.

Reference also is made to special emphasis being given to the development of a program for the 165,000-square-mile Appalachian region of

the United States, with the stated objective being "the development of the natural resources of the region, and the promotion of better employment opportunities for its people."

With respect to the education-aid program, the budget message recommends:

- (1) Enactment of pending legislation providing grants "to raise teachers' salaries and build critically needed classrooms";
- (2) A program of project grants "to meet special educational needs and to provide special services for schoolchildren, particularly for use in connection with community action programs to combat poverty," and
- (3) Remaining portions of 1963 proposals, including federally guaranteed loan and work-study programs for college students, grants for expansions of adult education programs, and special programs for graduate students and teachers.

In a recommendation of prompt enactment of the Youth Employment Act, the reference is to the substance of pending companion bills, S. 1 and H.R. 5131. The Senate bill has passed the Senate and the House measure has been reported favorably by the House Committee on Education and Labor. The measures would create both youth conservation corps and home town youth corps for the enrollment of persons aged 16 through 21. The House bill authorizes appropriations of \$100 million for the first year, rising later to a maximum of \$310 million. Under the Senate measure, the first-year limit on appropriations would be \$120 million, but for subsequent years the authorization is without limit.

The message urges that action be completed soon on pending legislation to institute the proposed program of urban mass transportation assistance. This legislation is pending in Senate-passed S. 6, and in H.R. 3881 which has been approved by the House Committee on Banking and Currency. The House measure contains new appropriation authorizations of up to \$200 million annually, while the Senate measure authorizes appropriations of up to \$150 million annually.

Other proposed new programs to which the budget message refers specifically include creation of the land and water conservation fund, to provide assistance to states in acquiring and developing additional recreational facilities, and pay increases for military personnel and federal civilian employees to maintain comparability "with pay in the private economy."

Similarly, the message recommends expansions, as reflected in the budget, of existing programs in the fields of area redevelopment, urban renewal, housing loans for the elderly, low-rent public housing, public health, nurses' education and housing, and construction of hospitals and other medical facilities.



Comparison of NOA for Fiscal 1964 and 1965

As previously indicated, the proposed NOA in the administrative budget for fiscal 1965 is \$103.8 billion as compared with the total enacted and proposed supplemental for fiscal 1964 of \$102.6 billion.

Thus, the increase from one fiscal period to the next is shown to have been held to \$1.2 billion, despite new-program increases alone of nearly \$3 billion, plus programed expansions of numerous existing programs.

The means by which substantial increases for fiscal 1965 of NOA in certain areas of the budget are partially offset by budgetary reductions elsewhere are analyzed, in part, in accompanying Table 3 and Table 4. Comparative data in greater detail are provided in Appendix A.

Table 3 represents a compilation of major increases (1965 over 1964) in NOA items, in terms of dollar volume, that occur within the administrative budget. Similarly, Table 4 represents a compilation of major reductions in NOA items that occur within the administrative budget.

In the main, the amounts compiled in the two tables are the NOA increases and reductions singled out for description and explanation in Appendix A. Generally speaking, amounts of increases or reductions exceeding \$10 million in individual NOA items are reflected in the two tables, although this rule is not followed strictly in every case. The many smaller "ups" and "downs" are not reflected in the tables, although these are reconciled later with the administrative budget totals.

With respect to the means by which major NOA increases for fiscal 1965 over 1964 in some areas of the administrative budget are largely offset by reductions elsewhere, the data show:

Major NOA increases reflected in Table 3:

For new program proposals as previously listed in Table 2 . . . . .	\$2.5 billion
For expansions of activities in existing programs . . . . .	4.9 billion
Total major NOA increases . . . . .	7.4 billion

Major NOA reductions reflected in Table 4:

Reductions reflecting curtailments of operating, construction, or other activities of federal agencies . . .	2.4 billion
Reductions resulting from phasing out of certain programs (from Table 4) . . .	0.3 billion

Reductions resulting chiefly from circumstances not affecting operating activities of federal agencies . . . . .	\$3.7 billion
Total major NOA reductions . . . . .	6.4 billion

Reconciliation with administrative budget totals:

Increases listed in Table 3 . . . . .	(+) 7.4 billion
Reductions listed in Table 4 . . . . .	(-) 6.4 billion
Net effect of unlisted NOA increases and reductions in administrative budget . . . . .	(+) 0.2 billion
Net increase in 1965 NOA over 1964 NOA, as shown in budget . . . . .	(+) 1.2 billion

With regard to the NOA reductions totaling approximately \$3.7 billion that are listed in Table 4 as resulting chiefly from circumstances not affecting program operating activities of the federal agencies involved, brief explanations of the circumstances are offered in the table itself. Explanations of the circumstances in greater detail, as well as explanations of circumstances of other reductions listed in the table, are provided in Appendix A.

Carry-over Obligational Authority

With respect to administrative budget funds only, estimates in the fiscal 1965 federal budget document 3/ are that balances of unspent obligational authority at the start and end of the 1965 fiscal year, in millions of dollars, will be as follows:

	Carry-over Obligational Authority		
	Obligated	Unobligated	Total
Start of fiscal 1965 . . . . .	\$ 46,550	\$ 43,874	\$ 90,424
End of fiscal 1965 . . . . .	53,352	41,693	95,045

The above estimates of carry-over balances of obligational authority assume congressional approval of the recommended NOA of \$103.8 billion for fiscal 1965 -- of which \$70.5 billion would be expended during the period and \$33.2 billion would carry over to be expended in future years. Of the \$90.4 billion of unspent authorizations at the start of fiscal 1965, it is estimated that \$27.4 billion would be used in fiscal 1965, \$1.3 billion would expire or be utilized in interfund payments, and \$61.8 billion would carry forward for expenditure in later years. (Continued on page 26.)

3/ Data from Budget of the United States Government -- 1965, p. 51.

TABLE 3

MAJOR NOA INCREASES -- 1965 OVER 1964 a/

(Based upon data in Appendix A)

(Amounts in thousands of dollars)	Amount of Increase 1963 over 1964
New programs as listed in Table 2.....	\$2,498,234 <u>b/</u>
<u>Legislative Branch</u> : Government Printing Office--new building.....	46,723
<u>Funds Appropriated to President</u> : Foreign Aid--economic assistance total.....	392,220
Investment in Inter-American Development Bank.....	155,880
Peace Corps total.....	19,036
<u>Dept. of Agriculture</u> : Foreign Assistance--Commodities for famine relief.....	48,549
Sale of commodities for foreign currencies.....	441,000
Losses on long term sales contracts.....	5,485
Bartered materials for stockpiles.....	37,140
<u>Commerce</u> : Area Redevelopment Adm.--expansion of program.....	69,020
Bureau of Census--for census of agriculture.....	12,218
<u>Defense</u> : Military Personnel--military pay.....	658,900
Operation and Maintenance--total.....	686,769
Military Construction--total.....	219,526
Family Housing--total.....	73,594
Civil Defense--total.....	246,438
<u>Defense-Civil</u> --Corps of Engineers--construction.....	53,000
<u>HEW</u> : Office of Education--vocational education.....	88,540
Office of Education--higher education facilities (1963 Act)....	197,250
Office of Education--payments to federally impacted school districts.....	38,780
Office of Education--defense education program total.....	33,012
Public Health Service--hospital construction grants.....	62,052
Public Health Service--health professions educational aid (1963 Act).....	55,392
Public Health Service--National Institutes of Health total....	79,704
Welfare Administration--public assistance grants.....	95,400
Welfare Administration--maternal and child welfare grants.....	32,387
<u>Interior</u> : Bureau of Mines--helium fund (NOA to expend from debt receipts).....	14,000
<u>Justice</u> : Prison System--buildings and facilities.....	11,687
<u>Labor</u> : Manpower development and training (1963 amendments).....	246,023

(Table 3 Continued)

<u>Treasury</u> : Internal Revenue Service--total.....	47,400
Bureau of the Mint--new mint in Philadelphia.....	15,500
Coast Guard--total.....	58,023
Interest on debt.....	400,000
<u>Public Housing Administration</u> --total.....	18,186
<u>National Aeronautics and Space Administration</u> --total.....	63,034
<u>National Science Foundation</u> --total.....	134,700
<u>Payment to District of Columbia</u> .....	17,652
Total	7,372,454

a/ Amounts shown are amounts of increases -- not amounts of NOA. The amounts shown are increases in individual NOA items except where shown as "total", in which case the amount is the increase in the total NOA for the agency. For amounts of NOA and further explanation of items, see Appendix A.

b/ Figure shown of \$2,498,234,000 is derived by subtracting (with reference to Table 2) proposed NOA for fiscal 1964 of \$435,000,000 from \$2,933,234,000, the proposed NOA for fiscal 1965.

Source: The Budget of the United States Government--1965, pp. 150-309.

TABLE 4

MAJOR NOA REDUCTIONS -- 1965 UNDER 1964 <sup>a/</sup>

(Based upon data in Appendix A)

(Amounts in thousands of dollars)

Amount of Reduction  
1965 under 1964NOA Reductions Affecting Operating Activities:

<u>Commerce</u> : Bureau of Roads--total.....	\$ 11,000 <sup>b/</sup>
<u>Defense</u> : Procurement.....	1,950,047
<u>Defense</u> : Research, Development, Test, and Evaluation.....	227,180
<u>Interior</u> : National Park Service--total (chiefly in construction account).....	13,813
<u>Interior</u> : Bureau of Reclamation--Upper Colorado River Basin construction.....	36,191
<u>Labor</u> : Unemployment compensation for federal employees and veterans.....	14,000
<u>State</u> : International Organizations and Conferences--total.....	9,354
<u>Atomic Energy Commission</u> --total.....	49,669 <sup>c/</sup>
<u>Agriculture</u> : Removal of surplus commodities (reduction due to transfer to special milk).....	97,549
Subtotal	2,408,803

NOA Reduction from Phasing-out of Programs:

<u>Funds to President</u> : Public Works Acceleration.....	25,000
<u>Agriculture</u> : Stabilization and Conservation Service--conservation reserve.....	96,000
Farmers Home Administration--rural housing loans.....	25,000
<u>Veterans Administration</u> : Direct loans to veterans.....	150,000
Subtotal	296,000

NOA Reductions Chiefly from Circumstances not Affecting Operating Activities:

<u>Agriculture</u> : Agricultural Research Service--change to fee basis for meat inspection service.....	30,837
Commodity Credit Corp.--reimbursement for only portion of losses	1,260,265
R. E. A.--proposed use of loan receipts to reduce NOA requirements.....	347,000
International Wheat Agreement--anticipation of lower wheat prices.....	54,380
<u>Post-Office</u> : Contribution to postal fund.....	103,699
<u>State</u> : Financing of Chamizal settlement with Mexico, preservation of Nubian monuments, and educational and cultural exchange with Japan through proposed supplemental NOA for fiscal 1964.	76,310

(Table 4 Continued)

<u>Federal Aviation Agency</u> : Availability of prior year appropriation for development of civil supersonic aircraft.....	\$ 60,000
<u>Housing and Home Finance Agency</u> : Reduction for fiscal 1965 resulting from proposed financing of urban renewal program in 1965 and 1966 through proposed supplemental NOA for fiscal 1964..	1,400,000
<u>Housing and Home Finance Agency</u> : Availability of carry-over NOA from prior year for housing for the elderly program.....	25,000
<u>Federal Housing Administration</u> : Increased use of private financing.....	142,395
<u>Civil Service</u> : Change to proposed new method of financing payments to disability and retirement fund.....	65,000
<u>Small Business Administration</u> : Use of receipts and balances to finance revolving fund.....	90,000
Subtotal	3,654,886
Total	6,359,689

<sup>a/</sup> Amounts shown are amounts of reductions--not amounts of NOA. References are to reductions in individual NOA items except where shown as "total", in which case the amount is the reduction in the total NOA for the agency. For amounts of NOA and further explanation of items, see Appendix A.

<sup>b/</sup> Reduction results principally in cut-back in NOA for construction of public lands and Inter-American highways.

<sup>c/</sup> Reduction results principally from planned cut-backs in procurement of uranium concentrates and in NOA for plant and capital equipment, partially offset by increases for basic research.

Source: The Budget of the United States Government--1965, pp. 150-309.



Estimates of carry-over balances of obligational authority in trust funds are \$9,316 million in obligated amounts and \$60,458 million in unobligated amounts at the start of the 1965 fiscal period -- and \$9,352 million in obligated amounts and \$62,295 million in unobligated amounts at the end of the period.

## EXPENDITURES -- ADMINISTRATIVE BUDGET

"Expenditures" in their federal-budget meaning signify, with certain exceptions, the Federal Government's "cash-outgo" position. Expenditures occur when obligations are liquidated by the issuance of checks, the disbursement of cash, or similar means such as the maturing of interest coupons in the case of some types of bonds. <sup>1/</sup>

An exception to the cash-outgo meaning of "expenditures" in the federal budget is that retirement of debt and purchase of the government's own securities are not treated as expenditures. Also, for three types of funds -- public enterprise, intragovernmental, and trust revolving -- expenditures are stated as being net of receipts. That is, the expenditure of the fund is the net outgo after receipts are credited -- and if receipts of the fund exceed its outgo, the difference shows as a minus entry in the expenditure tables of the budget document.

Where expenditures of individual accounts and funds include payments to other accounts and funds, such interfund transactions are deducted at the end of expenditure tables.

Expenditure figures in the budget necessarily are estimates for two of the three fiscal years covered. In the case of the fiscal 1965 budget, as submitted in January of 1964, the expenditure data are actual for the fiscal year that ended June 30, 1963 -- and estimates for the current fiscal year ending June 30, 1964, and for the 1965 fiscal year to which the budget primarily pertains.

As previously indicated, the expenditure estimates as such are not acted upon by the Congress and are not binding upon the Executive Department -- as is the case with the new obligational authority granted by the Congress.

### Comparative Expenditure Totals of Administrative Funds

Administrative budget expenditure totals reported in the fiscal 1965 federal budget document are as follows:

1963 actual . . . . . \$92.6 billion

1964 estimates:

Expenditures from enacted authority 97.3 billion

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<sup>1/</sup> For more detailed description of "expenditures," see Budget of the United States Government -- 1965, pp. 147-8.

From proposed supplemental authority     1.8 billion

Adjustment (deduct) . . . . . - 0.7 billion  
Total . . . . . 98.4 billion

1965 estimate . . . . . 97.9 billion

Increase, 1965 over 1963 . . . . . 5.3 billion  
Increase, 1965 over 1964 estimates of  
expenditures from enacted authority . . . 0.6 billion  
Reduction, 1965 under 1964 total . . . . . 0.5 billion

As revealed by the above summary, the estimated \$97.9 billion of expenditures in fiscal 1965 represents an increase of \$5.3 billion over actual expenditures in fiscal 1963 and an increase of \$0.6 billion over the estimated expenditures to be made in fiscal 1964 under authority existing at the time of the budget submission -- but a reduction of \$0.5 billion when compared with the estimated, final total for fiscal 1964.

Factors responsible for the showing of the reduced expenditure estimate for fiscal 1965 are examined later in this Analysis.

Totals of administrative budget expenditures in recent fiscal years have been as follows: <sup>2/</sup>

1950 . . . . . \$39.5 billion  
1955 . . . . . 64.4 billion  
1960 . . . . . 76.5 billion  
1961 . . . . . 81.5 billion  
1962 . . . . . 87.8 billion

Totals of anticipated expenditures of individual departments and major independent agencies in fiscal 1964 and 1965, as compared with actual expenditures in fiscal 1963, are shown in Table 5.

As indicated by the table, the largest budgeted expenditure reductions in dollar volume, in a comparison of fiscal 1965 with fiscal 1964, occur in the Department of Defense (military functions) and Department of Agriculture, for which the estimated reductions shown in the budget are, respectively, \$1,100 million and \$1,163 million. The largest increases, in dollar volume, are \$590 million for the National Aeronautics and Space Administration, \$461 million (mostly interest on federal debt) for the Treasury Department, \$393 million for the Department of Health, Education, and Welfare, and \$252 million for the Department of Labor. Also, the proposed special allowances for the anti-poverty program, civilian pay increases, and contingencies account for an \$844 million increase.

#### Nature of Major Expenditure Increases

Summarizations of expenditure data by departmental and major agency totals serve the functions of indicating general trends and

<sup>2/</sup> Source: Budget of the United States Government -- 1965, p. 454.

TABLE 5

#### EXPENDITURES -- ADMINISTRATIVE BUDGET (In millions of dollars)

Administrative Budget Funds	1963 actual	Estimates		Percentage Change 1965 compared with	
		1964	1965	1963	1964 a/
Legislative Branch.....	\$ 147	\$ 166	\$ 179	+ 21.4	+ 7.8
The Judiciary.....	63	67	72	+ 13.8	+ 6.7
Executive Office of the President.....	23	25	28	+ 19.3	+ 11.8
Funds appropriated to the President....	2,247	2,817	2,533	+ 12.7	- 10.1
Department of Agriculture.....	7,735	6,978	5,815	- 24.9	- 16.7
Department of Commerce.....	676	786	833	+ 23.4	+ 6.0
Dept. of Defense--Military.....	49,973	52,300	51,200	+ 2.5	- 2.1
Dept. of Defense--Civil.....	1,128	1,141	1,192	+ 5.7	+ 4.5
Dept. of Health, Education, & Welfare..	4,909	5,530	5,853	+ 19.2	+ 5.8
Department of the Interior.....	1,029	1,114	1,148	+ 11.6	+ 3.1
Department of Justice.....	317	330	343	+ 8.2	+ 4.0
Department of Labor.....	257	415	667	+159.2	+ 60.5
Post Office Department.....	770	546	475	- 38.4	- 13.1
Department of State.....	408	385	382	- 6.5	- 0.8
Treasury Department.....	11,028	11,874	12,335	+ 11.9	+ 3.9
Atomic Energy Commission.....	2,758	2,800	2,735	- 0.8	- 2.3
Federal Aviation Agency.....	726	790	829	+ 14.2	+ 4.9
General Services Administration.....	464	555	578	+ 24.4	+ 4.1
Housing & Home Finance Agency.....	410	212	149	- 63.7	- 29.8
National Aeronautics and Space Administration.....	2,552	4,400	4,990	+ 95.5	+ 13.4
Veterans Administration.....	5,173	5,349	5,066	- 2.1	- 5.3
Other independent agencies.....	293	193	-85	-128.9	-144.0
District of Columbia.....	66	66	88	+ 34.8	+ 33.9
Allowance for attack on poverty.....	---	---	250	---	---
Allowance for civilian pay compara- bility.....	---	---	544	---	---
Allowance for contingencies.....	---	250	300	---	+ 20.0
Subtotal	93,155	99,089	98,500		
Interfund transactions	-513	-685	-600		
Total administrative budget	92,642	98,405 <sup>b/</sup>	97,900	+ 5.7	- 0.5

a/ Full figures, rather than rounded figures in table, are basis of computation.

b/ Includes \$1,788 million of estimated expenditures in fiscal 1964 under authorizations of proposed supplemental NOA for fiscal 1964.

Source: The Budget of the United States Government--1965, p. 45.



providing necessary budgetary arithmetic, but in most instances do not reveal specifically the programs that are being emphasized or de-emphasized from the standpoint of amounts of funds to be expended upon them. Such specifics may be seen only through examinations of details contained in the budget document.

Accompanying Table 6 represents an effort to identify, first, specific areas of major program innovations and expansions with respect to increases in estimated expenditures during fiscal 1965, as compared with fiscal 1964. Later, specific major areas of de-emphasis are identified and analyzed.

Shown in Table 6 are the amounts of estimated increases, fiscal 1965 over fiscal 1964, in individually budgeted expenditure items -- or in program totals in some instances -- where the increase amounts to \$10 million or more. Hence, the table identifies the federal activities and programs for which the more significant expenditure increases, in terms of dollar volume, are planned. (As in the case of comparable tables on NOA already presented, the figures shown are amounts of increases and not the total amounts of the estimated expenditures.)

Readily identifiable here are the new expenditure programs recommended by the President, as well as the federal activities and programs singled out in his budget message for recommended additional emphasis.

With respect to the amounts of expenditure increases for proposed new programs, it is to be noted that, as already shown in Table 2, the total estimated expenditures on the new programs in both fiscal 1964 and 1965 are \$1,905,634,000. Of this amount, however, \$263,000,000 is estimated for expenditure in fiscal 1964 and \$1,642,634,000 in fiscal 1965 -- and the \$1,379,634,000 figure shown in Table 6 is the increase of the 1965 amount over the 1964 amount.

The listed increases among existing programs and agencies include certain items traceable primarily to new legislation enacted during the 1963 congressional session. This is true with respect to the increases listed for vocational education, higher education facilities, defense educational activities, health professions, educational assistance, grants for maternal and child health, and manpower development and training.

#### Major Expenditure Reductions

Major reductions in estimated expenditures for fiscal 1965 which serve to offset the major increases are listed in Table 7. Counterpart to the preceding table, the reductions are those in individually budgeted items (in most instances) wherein the reductions amounted to \$10 million or more.

TABLE 6

### MAJOR INCREASES IN ESTIMATED EXPENDITURES -- 1965 OVER 1964

(Amounts in thousands of dollars)		Amount of Increase 1965 over 1964 <u>a/</u>
<u>For Proposed New Programs:</u>		
<u>Agriculture:</u> Farmers Home Adm.--Rural housing insurance fund.....	\$ 40,000	
<u>Defense:</u> Military Personnel--pay increase effective Oct. 1, 1964..	136,000	
<u>Defense:</u> Military Personnel--uniform rations.....	25,000	
<u>HEW:</u> Office of Education--education aid program.....	115,000	
Social Security Administration--payments for military service credits.....	60,000	
Welfare Administration--community work training.....	35,000	
<u>Interior:</u> Bureau of Outdoor Recreation--land and water-conservation fund.....	14,800	
<u>Labor:</u> Youth Employment Program.....	86,000	
<u>Housing and Home Finance Agency:</u> urban mass transportation aid....	10,000	
<u>Railroad Retirement Board:</u> payments for military service credits..	13,834	
<u>Special Allowance:</u> Attack on poverty.....	250,000	
<u>Special Allowance:</u> Pay increase for civilian employees.....	544,000	
<u>Special Allowance:</u> Contingencies.....	50,000	
Subtotal		1,379,634 <u>b/</u>
<u>Existing Programs and Agencies:</u>		
<u>Legislative Branch:</u> Government Printing Office--construction.....	16,478	
<u>Funds Appropriated to President:</u> Foreign Aid--economic assistance.	50,000	
Peace Corps.....	17,000	
<u>Agriculture:</u> Agricultural Marketing Service--school lunch.....	11,500	
Foreign Assistance--losses on long term sales contracts.....	71,710	
<u>Commerce:</u> Area Redevelopment Administration--total.....	32,400	
<u>Bureau of Census:</u> Census of agriculture.....	12,700	
<u>Defense:</u> Military Personnel--total.....	319,000	
Operation and maintenance--total.....	408,000	
Revolving and management funds--total.....	198,000	
<u>Defense-Civil:</u> Corps of Engineers--construction.....	54,500	
<u>HEW:</u> Office of Education--vocational education.....	54,330	
Office of Education--higher educational facilities.....	33,500	
Office of Education--payments to federally impacted school districts.....	45,000	
Office of Education--defense educational activities.....	27,194	
Office of Education--educational improvement for handicapped....	10,880	

(Table 6 Continued)

Public Health Service--health professions educational assistance.....	\$ 13,100
Public Health Service--National Institutes of Health.....	24,000
Welfare Administration--grants for maternal and child health....	23,024
<u>Interior: Bureau of Reclamation--construction.....</u>	14,165
<u>Labor: Manpower Development and Training.....</u>	189,000
<u>State: Administration of Foreign Affairs--salaries and expenses...</u>	12,000
International Commissions--construction.....	15,638
<u>Treasury: Internal Revenue Service--salaries and expenses.....</u>	28,900
Coast Guard--operating expenses.....	13,308
Coast Guard--acquisition and construction.....	12,151
Interest on debt.....	400,000
<u>Federal Aviation Agency--total.....</u>	39,000
<u>General Services Administrations--total.....</u>	22,731
<u>Housing and Home Finance Agency--urban renewal.....</u>	78,133
<u>Housing and Home Finance Agency--housing for elderly (administration).....</u>	15,935
<u>Federal National Mortgage Association--loans to secondary market operations, special assistance functions, and liquidation functions.....</u>	190,615
<u>Public Housing Administration--total.....</u>	74,272
<u>National Aeronautic and Space Administration.....</u>	590,000
<u>National Science Foundation--total.....</u>	41,700
<u>U. S. Information Agency--total.....</u>	11,246
<u>Payments and Loans to District of Columbia--total.....</u>	22,384
Subtotal	<u>3,193,494</u>
Total	4,573,128

a/ Amounts shown are amounts of increases--not amounts of expenditures. The amounts shown are amounts of increases in individual estimated expenditure items except where shown as "total", in which case the amount is the increase in the total estimated expenditures by the agency involved.

b/ Total estimated expenditures on proposed new programs in both 1964 and 1965 fiscal years are \$1,905,634,000, as shown in Table 2--with \$263,000,000 programed for expenditure in fiscal 1964 and \$1,642,634,000 for expenditure in fiscal 1965. The \$1,379,634,000 subtotal shown in this table is the programed increase for fiscal 1965 over fiscal 1964.

Source: The Budget of the United States Government--1965, pp. 150-309.

Reductions listed in Table 7 are divided into two categories: (1) those reflecting cutbacks in activities under federal programs, and (2) reductions resulting chiefly from circumstances not reflecting curtailments of activities.

For the listed reductions, the total for those reflecting cutbacks in activities is \$3,098,657,000 and the total for those not reflecting curtailments is \$2,084,188,000.

Among the reductions reflecting cutbacks in activities, several of the cuts result automatically from the phasing out of certain programs. For example, there is a reduction of \$120 million from the phasing out of the public works acceleration program, and one of \$93 million from the expiration of old "soil bank" contracts.

The reduction of \$65 million for the Atomic Energy Commission results chiefly from planned decreases in the procurement of uranium concentrates and production of special nuclear materials, partially offset by increases for basic research.

It is to be noted that reductions listed in Table 7 for the Department of Defense (military functions) total \$2,186,000,000. The amount is partially offset by increases listed in Table 6 (including two items under "new programs") totaling \$1,086,000,000 -- to produce the net reduction of \$1.1 billion for military functions of the Department of Defense.

Circumstances making possible reductions of more than \$2 billion in estimated expenditures without curtailment of activities are largely self-explanatory as outlined in Table 7. In general, they involve principally predicted lower wheat prices, changes in methods of financing certain programs, a change in scheduling of payments of public assistance grants, and anticipation of increased postal receipts.

In the case of the revolving-fund type of financing -- wherein "expenditures" are net of receipts and therefore increased receipts and use of balances of available funds result in expenditure reductions -- the circumstances involved principally are sales of assets and usage of receipts and balances. In the case of the \$200 million reduction shown for the Federal National Mortgage Association and \$100 million of the amount shown for the Veterans Administration, realization of the expected reductions is contingent upon the passage of proposed legislation authorizing sales of participations in mortgage pools.

The new budget contains an additional expenditure reduction item of \$163,784,000 for fiscal 1965 which is not included in Table 7. This reduction -- one that stems from an anticipated excess of receipts over expenditures in a public enterprise fund -- occurs in the Expansion of Defense Production account of funds appropriated to the President. It technically is a reduction of expenditures contingent upon passage of legislation which would eliminate payment to the Treasury of interest on



TABLE 7

## MAJOR REDUCTIONS IN ESTIMATED EXPENDITURES -- 1965 UNDER 1964

(Amounts in thousands of dollars)	Amount of Reduction 1965 under 1964 <u>a/</u>
<u>Reductions Reflecting Cutbacks in Activities:</u>	
<u>Funds Appropriated to President:</u> Public Works Acceleration--from \$ phase-out of program.....	120,000
<u>Agriculture:</u> Agricultural Marketing Service--removal of surplus agricultural commodities.....	97,549
Stabilization and Conservation Service--conservation reserve program (due to expiration of soil bank contracts).....	93,129
CCC--price supports (because of proposed new programs for dairy products and cotton).....	230,000
Farmers Home Administration--housing loan authorizations (due to substitution of proposed new rural housing loan insurance)	115,200
Forest Service--range improvements.....	17,274
<u>Commerce:</u> Maritime Administration--operating differential subsidies.....	10,000
<u>Defense:</u> Procurement--total.....	1,552,000
Research and Development--total.....	363,000
Military Construction--total.....	51,000
Family Housing--total.....	20,000
Military Assistance--total.....	200,000
<u>Interior:</u> Bureau of Reclamation--Upper Colorado River Basin construction.....	33,241
<u>Labor:</u> Unemployment compensation for federal employees and veterans.....	24,000
<u>State:</u> International Organizations and Conferences--contributions (due to expected termination of U. N. operations in the Congo).....	12,179
<u>Atomic Energy Commission:</u> Operating expense.....	65,000
<u>Housing and Home Finance Agency:</u> College housing loans.....	14,607
<u>Veterans Administration:</u> Expenditure reductions other than amounts accounted for by sales of assets.....	80,478
Subtotal	3,098,657
<u>Reductions Resulting Chiefly from Circumstances Not Reflecting Curtailment of Activities:</u>	
<u>Funds Appropriated to President:</u> Investment in Inter-American Development Bank (no expenditure budgeted).....	50,000
<u>Agriculture:</u> Agricultural Research Service--reduction due to proposed change to fee basis for meat inspection.....	28,570
Agricultural Marketing Service--reduction due to proposed change to fee basis for certain marketing services.....	16,393

(Table 7 Continued)

Foreign Assistance--reduction in costs of sales of commodities for foreign currencies, due principally to lower wheat prices	528,270
International Wheat Agreement--reduction from anticipation of lower wheat prices.....	100,424
National Wool Act--reduction due to non-recurrence of doubling up of expenditures in fiscal 1964.....	24,754
Farmers Home Administration--direct loan account reduction possible through use of receipts and balances.....	73,551
<u>HEW:</u> Welfare Administration--reduction in grants for public assistance through change in scheduling of payments.....	166,600
<u>Post Office:</u> Contributions to Postal Fund--reduction in contribution due to anticipation of increased postal receipts.....	71,315
<u>State:</u> Educational Exchange--reduction due to non-recurrence of financing proposed for fiscal 1964 of establishment of fund for educational and cultural exchange with Japan.....	25,000
<u>Federal National Mortgage Association:</u> Reduction in net expenditures due to proposal for legislation to authorize sale of participations in pools of mortgages.....	200,000
<u>Veterans Administration:</u> Reduction in net expenditures due principally to anticipated increases in sales of assets.....	202,000
<u>Federal Housing Administration:</u> Reduction in net expenditures due principally to increased use of private financing.....	229,691
<u>Civil Service:</u> Elimination of payments to disability and retirement fund due to proposed change to new system of permanent financing.....	62,000
<u>Export-Import Bank:</u> Due to increased repayments, sales of certificates, and other receipts.....	206,933
<u>Federal Home Loan Bank Board:</u> Reduction in budgeted expenditures reflected by increased premium and other receipts of Federal Savings and Loan Insurance Corporation Fund.....	98,687
Subtotal	2,084,188
Total	5,182,845

a/ Amounts shown are amounts of reductions in individual expenditure items except where labeled as "total", in which case the amount is the reduction in the total estimated expenditures by the agency involved.  
Source: The Budget of the United States Government--1965, pp. 150-309.

borrowed funds. The reduction item is not included in the accompanying table because the payment of interest to the Treasury by a public enterprise fund is a type of a payment which, together with the corresponding receipt by the Treasury, is deductible as an interfund transaction -- and therefore would be without effect on net expenditures as reflected by budget figures.

#### Comparison of 1964 and 1965 Estimated Expenditure Totals

A recapitulation of the net effect of increases and reductions in estimated expenditures, in a comparison of fiscal 1965 with fiscal 1964, shows as follows:

##### Major expenditure increases as listed in Table 6:

Increases from new programs . . . . .	\$ 1.4 billion
Major increases for existing programs . . . .	3.2 billion
Total major expenditure increases . . . .	4.6 billion

##### Major expenditure reductions as listed in Table 7:

Reductions reflecting cutbacks in activities. \$	3.1 billion
Reductions not reflecting program curtailment	2.1 billion
Total major expenditure reductions . . . .	5.2 billion

##### Reconciliation with administrative budget totals:

Expenditure increases listed in Table 6 . . .	(+)4.6 billion
Expenditure reductions listed in Table 7 . .	(-)5.2 billion
Net effect of unlisted expenditure increases and reductions in administrative budget . .	(+)0.1 billion
Net reduction in 1965 expenditure estimates, under 1964, as shown in budget . . . . .	(-)0.5 billion

In the absence of the \$2.1 billion of expenditure reductions listed above as resulting from circumstances not reflecting program curtailments, the \$0.5 billion net reduction in estimated expenditures for fiscal 1965, as compared with 1964, would have been, instead, a net increase of \$1.6 billion.

#### Variables in Current Fiscal Year Expenditure Estimates

In a comparison of projected expenditures for the coming fiscal year with those for the current fiscal period, recognition must be given to the fact that expenditure figures for fiscal 1964 are estimates that may prove to be either higher or lower than the actual expenditures which eventually will emerge.

For example, the administrative budget expenditure estimate of \$98.4 billion for the 1964 fiscal year contains at least \$263 million of anticipated expenditures for contingencies and for new programs not in existence at the time of the budget submission. Whether these expenditures will have occurred before the end of the fiscal year will be dependent to a large degree on the nature and speed of congressional actions affecting them.

Also, the fiscal 1964 federal budget as submitted originally in January, 1963, called in its administrative budget section for new obligational authority of \$107.9 billion and estimated expenditures of \$98.8 billion. As of the close of the first session of the 88th Congress, the fiscal 1964 NOA had been reduced from \$107.9 billion to an enacted total of \$98.3 billion -- or a \$9.6 billion reduction. Corresponding to this reduction in new obligational authority as enacted, however, the estimated 1964 expenditures out of existing obligational authority were shown in the fiscal 1965 budget document to have been reduced by only \$1.5 billion, from \$98.8 billion to \$97.3 billion.

Because of obligational authority held over from prior years, expenditures in any year can be well in excess of the NOA figure for that year. However, in the actual experience of the 1961 fiscal year, the expenditures amounted to 94 percent of the NOA figure, while for fiscal 1962 the expenditure total was 95 percent of the NOA figure. In the actual experience of the 1963 fiscal year, the expenditures amounted to 91 percent of the NOA figure.

Under estimates in the new budget document, expenditures for fiscal 1964 would be 99 percent of the NOA figure if account is taken only of enacted NOA and counterpart expenditures. Under the totals that include proposed supplemental NOA and counterpart expenditures for fiscal 1964, the relationship of expenditures to the NOA total would be 97 percent. In either case, the percentage is higher than any from the experience of recent years.

The final expenditure total for fiscal 1964 will be determined only by actual experience. It is pointed out, however, that on the basis of experience of recent years as a general "rule of thumb," the actual expenditures in fiscal 1964 could prove to be several billion dollars less than the \$98.4 billion administrative budget estimate that is projected in the 1965 budget document.

Comparisons of estimated expenditures in fiscal 1965 with those for the current year would be affected by any over-estimate or under-estimate for either year.



# FINANCING OF TRUST FUND OPERATIONS

Federal programs financed through trust funds are programmed for \$31.8 billion in new obligational authority and \$29.4 billion of expenditures in fiscal 1965.

As indicated by Table 8 and Table 9, the principal federal programs directly affecting large groups of persons that are financed through trust funds are the old age and survivors insurance and disability insurance (social security) program, the federal highway aid program, the federal-state unemployment compensation systems, railroad unemployment compensation and retirement programs, and the Civil Service retirement program.

Examples of other activities financed through trust funds are the gift and trust fund income accounts of the Library of Congress, Indian tribal funds managed by the Department of the Interior, secondary market operations of the Federal National Mortgage Association, and operations of life insurance funds of the Veterans Administration. There are numerous miscellaneous trust funds of various federal agencies.

In addition, funds of the municipal government of the District of Columbia are accounted for through the U. S. Treasury as trust funds and are included in the budgeted receipts and expenditures of the trust funds. Also, expenditures on a net-of-receipts basis show in the trust fund accounts for the following government-sponsored enterprises: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Land Banks, Federal Home Loan Banks, and Federal Deposit Insurance Corporation.

## New Obligational Authority of Trust Funds

The total NOA for trust funds of \$31.8 billion for fiscal 1965 represents an increase of only \$122 million over corresponding NOA for fiscal 1964.

The largest single NOA item as shown by Table 8 is \$16.3 billion for the old age and survivors trust fund. The Bureau of Public Roads, through which the federal highway aid program is financed, accounts for \$3.8 billion of NOA and the unemployment trust fund of the Department of Labor for \$3.9 billion.

For the most part, NOA of trust funds consists of permanent authorizations not requiring annual action by the Congress. In most instances, the amount of NOA for a trust fund is the amount of receipts available to it.

A technical exception to this general rule applies in the case of the Bureau of Public Roads, for which current contract authorization of \$3.8 billion by the Congress is proposed. Also, \$400 million of

TABLE 8

## NEW OBLIGATIONAL AUTHORITY -- TRUST FUNDS (In millions of dollars)

	Fiscal 1963 Enacted	Fiscal 1964 Enacted	Fiscal 1965 Proposed	1965 Increase or Decrease from 1964
<u>Department of Commerce:</u>				
Bureau of Public Roads	\$ 3,590	\$ 3,715	\$ 3,812	+ \$ 97
Miscellaneous trust funds	21	26	5	- 21
Total, Dept. of Commerce	3,611	3,741	3,817	+ 76
<u>Department of Health, Education, and Welfare:</u>				
Old Age and Survivors Insurance trust fund	13,843	15,874	16,271	+ 397
Disability Insurance trust fund	1,146	1,198	1,228	+ 30
Miscellaneous trust funds	1	1	*	- 1
Total, Dept. of HEW	14,989	17,073	17,499	+ 426
<u>Department of Labor:</u>				
Unemployment trust fund a/	4,261	4,192	3,933	- 259
Miscellaneous trust funds	*	*	*	*
Total, Dept. of Labor	4,261	4,192	3,933	- 259
Veterans Administration	711	719	714	- 4
Civil Service Commission	2,247	2,382	2,391	+ 9
Railroad Retirement Board	1,115	1,218	1,279	+ 61
Other Agencies	1,667	2,370	2,184	- 186
Total NOA--trust funds	28,602	31,695	31,817	+ 122

\* Less than \$500 thousand,

a/ This fund combines activities of federal-state and railroad unemployment insurance systems.

Source: The Budget of the United States Government--1965, pp. 309-323.  
(Details do not necessarily add to totals because of rounding.)



TABLE 9  
EXPENDITURES -- TRUST FUNDS  
(In millions of dollars)

	Fiscal 1963 Actual	Fiscal 1964 Estimate	Fiscal 1965 Estimate	1965 Increase or Decrease from 1964
<u>Department of Commerce:</u>				
Bureau of Public Roads	\$ 3,024	\$ 3,561	\$ 3,657	+ 96
Miscellaneous trust funds	19	20	16	- 4
Total, Dept. of Commerce	3,043	3,581	3,673	+ 92
<u>Department of Health, Education, and Welfare:</u>				
Old Age and Survivors Insurance trust fund	14,530	15,359	16,091	+ 732
Disability Insurance trust fund	1,259	1,345	1,428	+ 83
Miscellaneous trust funds	1	1	*	- 1
Total, Dept. of HEW	15,789	16,705	17,519	+ 814
<u>Department of Labor:</u>				
Unemployment trust fund a/ Miscellaneous trust funds	3,815 *	3,555 *	3,443 *	- 113 *
Total, Dept. of Labor	3,815	3,555	3,443	- 113
Veterans Administration	828	634	489	- 145
Civil Service Commission	1,131	1,272	1,435	+ 163
Railroad Retirement Board	1,112	1,129	1,144	+ 15
Other agencies	1,332	2,927	2,147	- 780
Subtotal, all trust funds	27,050	29,803	29,849	+ 46
Interfund transactions	- 505	- 488	- 477	(+) 11
Total, all trust funds	26,545	29,315	29,372	+ 57

\* Less than \$500 thousand.

a/ Combined activities of federal-state and railroad unemployment insurance systems.

Source: The Budget of the United States Government--1965, pp. 309-323.  
(Details do not necessarily add to totals because of rounding.)

direct appropriation to other trust funds are scheduled. Otherwise the remaining \$27.6 billion of proposed NOA does not require current congressional action. However, the Congress establishes, through appropriation bills, limits on the administrative expenses of a number of the trust fund operations.

Amounts of NOA for the old age and survivors insurance and disability insurance programs represent amounts of anticipated receipts, which automatically are appropriated under permanent legislation, from payroll taxes, interest on investments, deposits by states of the equivalencies of payroll taxes, and a proposed federal payment for military service credits. As shown by Table 8, the receipts of these two funds are expected to increase in 1965 over 1964 by \$427 million.

The unemployment trust fund of the Department of Labor combines financial activities of the federal-state and railroad unemployment insurance systems. Again, the NOA for the fund represents anticipated receipts. Deposits by states of state-levied and collected unemployment compensation taxes constitute the principal source of receipts. These deposits are held in trust in individual state accounts for subsequent withdrawal and use by the states in the payment of unemployment benefits. The deposits by states are expected to total \$2,825,000,000 in fiscal 1965.

Other sources of receipts include federally-levied unemployment taxes, railroad unemployment insurance taxes and interest on investments. Grants to states to finance administrative expenses of state unemployment compensation programs are financed out of the federal unemployment taxes.

#### Trust Fund Expenditures

Total expenditures from trust funds are expected, as indicated by Table 9, to reflect little net change in fiscal 1965 as compared with the current fiscal period. The largest increase expected is \$814 million in expenditures from trust funds of the Department of Health, Education, and Welfare, consisting principally of old age and survivors insurance and disability insurance benefits. Other increases and offsetting reductions produce a net anticipated increase in expenditures from all funds of \$57 million.

Expenditures of the Bureau of Public Roads are mainly in the form of grants to states, but also include outlays for administration and research.

Involved in the budgeted reduction in estimated expenditures from the unemployment trust fund of the Department of Labor is the anticipation of a decrease in the rate of insured unemployment which will reduce by \$100 million the withdrawals by states from their trust fund accounts for unemployment benefits.

# BUDGETED RECEIPTS OF THE FEDERAL GOVERNMENT

Official estimates of receipts of the Federal Government in fiscal 1965, as reflected in the new budget, are based on the assumption of passage of the tax reduction bill under consideration by the United States Senate at the time of the budget submission and on the further assumption that the tax reductions so provided will help to accelerate the growth of the Nation's economy to a level of \$623 billion of gross national product in the 1964 calendar year.

The revenue estimates in the budgets also assume the adoption of legislation which will continue for another year the present excise tax rates on distilled spirits, beer, wines, cigarettes, passenger automobiles, automobile parts and accessories, and telephone service. Without such an extension, the telephone service tax will expire and the other excise taxes listed above will be reduced on July 1, 1964.

A further assumption involved in the estimates was that the tax reduction bill would be enacted early in 1964 and that it would provide a 14 percent withholding rate on wages and salaries as recommended by the President. (As enacted on February 26, 1964, the new revenue act embodied the 14 percent withholding rate.)

Under such assumptions, the fiscal 1965 federal budget forecasts that total receipts of administrative funds will amount to \$88.4 billion in fiscal 1964 and will rise to \$93 billion in fiscal 1965 -- and that total receipts from the public, including trust fund receipts, will rise from \$109.7 billion in fiscal 1963 to \$114.4 billion in fiscal 1964 and \$119.7 billion in fiscal 1965.

## Details of Receipts Estimates

Receipts estimates in the fiscal 1965 budget, by major forms of tax revenues and other receipts, are summarized in Table 10.

As indicated by the table, the bulk of the anticipated \$4.6 billion gain in administrative budget receipts in fiscal 1965 is accounted for by the expectation of a rise in coming fiscal year of \$1 billion in individual income tax revenues and \$2.1 billion in corporation income taxes.

With respect to the basis for the estimates of increased individual and corporation income tax revenue, despite effects of the tax reduction bill, the budget documents states: 1/ (Continued on Page 44)

1/ Budget of the United States Government -- 1965, p.57.

TABLE 10

## BUDGETED FEDERAL GOVERNMENT RECEIPTS (In millions of dollars)

	Fiscal 1963 Actual	Fiscal 1964 Estimate	Fiscal 1965 Estimate	1965 Increase or Decrease from 1964
<u>Administrative Budget Receipts: a/</u>				
Individual income taxes	\$47,588	\$47,500	\$48,500	+\$ 1,000
Corporation income taxes	21,579	23,700	25,800	+ 2,100
Excise taxes:				
Alcohol <u>b/</u>	3,442	3,560	3,747	+ 187
Tobacco <u>b/</u>	2,079	2,146	2,212	+ 66
Manufacturers' excises <u>b/</u>	5,610	6,002	6,219	+ 217
Retailers excises <u>b/</u>	444	486	524	+ 38
All other excises <u>b/</u>	1,835	1,727	2,013	+ 286
Subtotal	13,410	13,921	14,715	+ 794
Excise tax refunds	- 215	- 222	- 224	(-) 2
Transfer to highway trust fund	- 3,279	- 3,478	- 3,504	(-) 26
Net excises taxes <u>c/</u>	9,915	10,221	10,987	+ 766
Estate and gift taxes	2,167	2,335	2,740	+ 405
Customs	1,205	1,275	1,460	+ 185
Miscellaneous receipts	3,922	3,369	3,513	+ 144
Total, administrative budget	86,376	88,400	93,000	+ 4,600
<u>Trust Fund Receipts: a/</u>				
Employment taxes:				
Federal OASI <u>b/</u>	12,479	14,353	14,700	+ 347
Federal disability insurance <u>b/</u>	1,005	1,062	1,089	+ 27
Railroad retirement <u>b/</u>	572	617	682	+ 65
Unemployment insurance <u>b/</u>	948	900	711	- 189
Refunds	- 143	- 155	- 186	(-) 31
Net employment taxes	14,862	16,777	16,996	+ 219
Unemployment tax deposits by states	3,009	2,900	2,825	- 75
Highway excise taxes	3,279	3,478	3,504	+ 26
Federal retirement funds receipts <u>d/</u>	1,878	1,959	1,923	- 36
Interest on trust funds	1,477	1,589	1,669	+ 80

(Table 10 Continued)

Veterans' life insurance funds	494	501	499	-	2
Miscellaneous	3,195	3,446	3,934	+	488
Interfund transactions	- 505	- 488	- 477	(+)	11
Total trust fund receipts	27,689	30,163	30,872	+	709
Intragovernmental transactions	- 4,326	- 4,197	- 4,130	(+)	67
Total Receipts from the Public	109,739	114,366	119,742	+	5,376

a/ Net after refunds unless otherwise footnoted.

b/ Gross collections.

c/ Amounts credited to administrative budget.

d/ Employees' and agency payments for retirement.

Source: The Budget of the United States Government--1965, pp. 56-67.

(Details do not necessarily add to totals because of rounding.)

Under the new income tax rates, tax payments by individuals and corporations will be reduced by approximately \$2.6 billion in fiscal year 1964 and \$8.0 billion in fiscal year 1965, calculated on the basis of calendar 1963 income levels. These potential gross losses in tax receipts, however, will be offset in part by increased revenues from the economic stimulus of the tax cut and a new schedule for quarterly corporation tax payments. As a result, the net revenue decline from the tax changes is estimated to be \$2.2 billion in fiscal year 1964 and \$3.1 billion in fiscal year 1965. Despite this loss, income tax collections, individual and corporate, are expected to be \$3.1 billion greater in fiscal 1965 than in the current fiscal year, chiefly because of the anticipated continuing expansion of economic activity.

Excerpts from the budget document regarding estimates of other types of federal receipts follow: 2/

Excise tax receipts show an estimated increase of \$766 million during the coming fiscal year. Virtually all excise taxes will yield increased revenues, accompanying the expected general rise in economic activity.

Employment tax collections will rise by \$219 million in fiscal year 1965 to \$17.0 billion. The increase reflects mainly higher levels of employment and earnings and the increase

2/ Budget of the United States Government -- 1965, p. 58.

in the taxable wage base for the railroad retirement system from \$4,800 to \$5,400 enacted last year.

Deposits by states for unemployment insurance are expected to decline by \$75 million. Because of generally rising employment, many firms have maintained stable employment levels, and are qualifying for reduced rates of payroll taxes under experience rating clauses in their State laws.

Miscellaneous budget receipts in total will rise by \$144 million to \$3.5 billion in fiscal year 1965. Increases estimated in a number of components, including proposals for new or higher user charges, are partly offset by declines in others.

#### Proposed Legislation Affecting Receipts

In addition to recommendation of passage of the tax reduction bill pending at the time of the budget submission and the extension of present excise tax rates, the 1965 budget document transmits recommendations for changes in the federal unemployment tax, in certain user charges, and in the method of financing the Rural Electrification Administration. The following are excerpts from the budget document pertaining to these recommendations: 3/

Federal unemployment tax. -- Legislation is pending to increase the payroll tax rate on employers under the unemployment insurance system from 3.1% to 3.4%, effective on calendar year 1965 wages. Federal receipts under this program will not show the effects of the new tax rate until fiscal year 1966 because of the lag in depositing the receipts with the Treasury. This increased tax rate is designed to finance proposed improvements in the system, including a longer period of eligibility for unemployment benefits.

User charges. -- In keeping with the policy that a larger share of the costs of programs which provide special benefits or privileges should be met by those receiving the benefits, rather than by the general taxpayer, legislation authorizing certain additional user charges, and extending others, is recommended.

The most significant charges proposed affect commercial and other users of transportation, and would become effective on July 1, 1964. These include (a) continuing as a user charge the 5% excise tax on air passenger transportation which would otherwise expire on July 1, 1964; (b) instituting a 5% tax on air freight; (c) extending to jet fuels, currently untaxed, the present 2 cents per gallon tax on fuels used in commercial air transportation; (d) increasing from 2 cents to 3 cents per gallon the tax on all fuels used in general aviation;

3/ Budget of the United States Government--1965, p. 60



and (e) initiating user charges for the inland waterways through a tax of 2 cents per gallon on fuels used in transportation on these waterways. The receipts from all of these charges will be retained in the general fund of the Treasury under the proposed legislation.

In addition, a land and water conservation fund has been proposed to finance planning, land acquisition and development of recreation facilities, to be carried out chiefly through grants to States. The revenues would come to this new fund from (a) existing and new admission and user fees in national forests, parks, and other recreation areas, (b) the proceeds from the sale of surplus Government real property, and (c) transfer of certain motor boat fuel taxes from the highway trust fund.

Legislation to increase the fees charged by the Patent Office has been sent to the Congress; the new fee schedule would bring the Patent Office closer to a self-sustaining pattern of operations.

Rural Electrification Administration. -- Legislation is again being proposed to permit the Rural Electrification Administration to use its repayments on outstanding loans to finance new loans. Enactment of this legislation will reduce equally miscellaneous receipts and REA expenditures in fiscal years 1964 and 1965, and will not affect the budgetary surplus or deficit.

#### Relationship of Receipts to Expenditures

The net fiscal operating positions of the Federal Government in fiscal 1963 and as estimated in the new budget for fiscal 1964 and 1965 are shown in Table 11.

The essence of the data is that the administrative budget was in a \$6.3 billion operating deficit in fiscal 1963 and faces prospects, under budget estimates, of operating deficits of \$10 billion in fiscal 1964 and of \$4.9 billion in fiscal 1965.

In net receipts from and payments to the public -- which include trust fund transactions but are net of intragovernmental transactions -- the excess of payments over receipts was \$4 billion in fiscal 1963 and for the current and coming fiscal years the estimated excesses of payments over receipts are, respectively, \$8.3 billion and \$2.9 billion.

Accuracy of the projected operating deficits for the current and next fiscal years is conditioned upon the degree of accuracy represented by estimates of both receipts and expenditures and upon the actions of the Congress on appropriation and program authorizing bills.

TABLE 11  
RELATIONSHIP OF FEDERAL RECEIPTS AND EXPENDITURES  
(In millions of dollars)

	Fiscal 1963 Actual	Fiscal 1964 Estimated	Fiscal 1965 Estimated
<u>Administrative Budget:</u>			
Receipts	\$ 86,376	\$ 88,400	\$ 93,000
Expenditures	92,642	98,405	97,900
Excess of receipts (+) or expenditures (-)	- 6,266	- 10,005	- 4,900
<u>Trust Funds:</u>			
Receipts	27,689	30,163	30,872
Expenditures	26,545	29,315	29,372
Excess of receipts (+) or expenditures (-)	+ 1,144	+ 848	+ 1,500
<u>Receipts from and Payments to the Public:</u>			
Administrative budget receipts	86,376	88,400	93,000
Trust fund receipts	27,689	30,163	30,872
Intragovernmental transactions	- 4,326	- 4,197	- 4,130
Total Receipts from the Public	109,739	114,366	119,742
Administrative budget expenditures	92,642	98,405	97,900
Trust fund expenditures	26,545	29,315	29,372
Intragovernmental transactions	- 5,436	- 5,016	- 4,582
Total Payments to the Public	113,751	122,704	122,690
Excess of Receipts from (+) or Payments to (-) the Public	- 4,012	- 8,338	- 2,948

Source: The Budget of the United States Government--1965.

# APPENDIX A

## NEW OBLIGATIONAL AUTHORITY FOR INDIVIDUAL AGENCIES

Appropriations and other new obligational authority sought from the Congress through the fiscal 1965 budget submission, detailed as to departmental and agency totals, are outlined in this section.

As in preceding sections, the abbreviated term, "NOA" is utilized to refer to all requested appropriations and other forms of new obligational authority.

Items of requested NOA for fiscal 1965 are compared with corresponding NOA amounts for fiscal 1964 and amounts of increases or reductions, as the case may be, are shown. Footnoting designates amounts of reductions or increases in 1965 NOA, as compared with 1964 NOA, that are equal to or more than, respectively, 5 percent, 10 percent, and 25 percent.

Accompanying the tabular listings are explanations of major NOA reductions or increases that are chiefly responsible for the comparative positions of fiscal 1964 and fiscal 1965 NOA totals for individual federal agencies.

## Legislative Branch

Requested 1965 NOA for the Legislative Branch of the Federal Government constitutes less than two-tenths of one percent of total requested NOA in the administrative budget.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Legislative Branch:</u>				
Senate.....	\$ 31,863	\$ 31,548	\$ 315	\$
House of Representatives.....	58,543	59,742		1,199
Architect of the Capitol.....	17,557	13,951	3,606**	
Botanic Garden.....	459	528		69**
Library of Congress.....	20,497	23,621		3,124**
Government Printing Office.....	26,992	70,285		43,293***
			(3,921)	(47,685)
Total	155,911 <sup>a/</sup>	199,674		43,763***

\*\* 10% or more; \*\*\*25% or more.

<sup>a/</sup> Includes \$101 thousand of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 150-161.

Lack of need for additional NOA for construction of the new Rayburn House Office Building (for which there was \$4,800,000 NOA in 1964) is the principal factor responsible for the net reduction in NOA for the Architect of the Capitol.

Proposed NOA for the Government Printing Office includes an entirely new allowance of \$46,723,000 for the construction of an additional building.



### The Judiciary

Total NOA requirements of the Federal Judiciary for fiscal 1965 are fixed at \$71,917,000.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>The Judiciary:</u>				
Supreme Court of the United States...	\$ 2,210	\$ 2,186	\$ 24	\$
Court of Customs and Patent Appeals..	388	403		15
Customs Court.....	989	1,044		54*
Court of Claims.....	1,110	1,186		76*
Court of Appeals, District Courts, and other Judicial Services.....	61,240	65,634		4,394*
Court facilities and furnishings.....	1,031	1,464		433***
			(24)	(4,972)
Total	66,968a/	71,917		4,949*

\* 5% or more; \*\*\* 25% or more.

a/ Includes \$9 thousand of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 162-164.

Scheduled increases include provisions for additional officers and clerk-stenographers for the probation system, additional deputy clerks, additional temporary clerks for referees, and the institution of a central disbursing program.

### Executive Office of the President

The largest items among appropriations for the Executive Office of the President are NOA for the White House Office, the Bureau of the Budget, and the Office of Emergency Planning.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Executive Office of the President:</u>				
Compensation of President.....	\$ 150	\$ 150	\$	\$
White House Office.....	2,730	2,730		
Special Projects.....	1,500	1,500		
Executive Mansion and Grounds.....	671	696		25
Bureau of the Budget.....	6,500	6,861		361*
Council of Economic Advisers.....	615	645		30
National Aeronautics and Space Council	525	525		
National Security Council.....	575	575		
Office of Emergency Planning.....	10,385	13,700		3,315***
Office of Science and Technology.....	880	950		70*
Special Representative for Trade Negotiations.....	465	540		75**
Total	24,996	28,872		3,876**

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

Source: The Budget of the United States Government--1965, pp. 165-167.

The Office of Emergency Planning, which accounts for the major NOA increase in the above summary, serves as a staff office to advise and assist the President with respect to the nonmilitary defense programs of the United States. The activities include coordination of emergency preparedness activities of federal agencies and the development of emergency preparedness plans not covered by responsibilities of regular departments and agencies. (Funds for the civil defense program are provided through the Department of Defense.) The additional funds are scheduled principally for expansion of activities of federal agencies in developing national emergency plans and preparedness programs.

### Funds Appropriated to the President

A net increase of \$539,336,000 in NOA among funds appropriated to the President is sought for fiscal 1965. The totals for the programs and agencies involved are as follows:

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Funds Appropriated to the President:</u>				
Disaster Relief.....	\$ 20,000	\$ 20,000	\$	\$
Foreign Aid--Economic Assistance.....	1,999,880	2,392,100		392,220**
Emergency Fund for the President.....	1,000	1,000		
Expenses of Management Improvement...	100	300		200***
International Financial Institutions.	111,656	267,536		155,880***
Peace Corps.....	95,964	115,000		19,036**
Public Works Acceleration.....	30,000	5,000	25,000***	
Transitional grants to Alaska.....	3,000	--	3,000***	
			(28,000)	(567,336)
<b>Total</b>	<b>2,261,600</b>	<b>2,800,936</b>		<b>539,336**</b>

\*\* 10% or more; \*\*\* 25% or more.

Source: The Budget of the United States Government--1965, pp. 168-173.

The \$2.4 billion total NOA for the economic assistance phase of foreign aid which is sought for fiscal 1965 represents a reduction of approximately \$200 million under the fiscal 1963 NOA for this purpose--but an increase of \$392 million over enacted NOA for fiscal 1964.

The substantial increase in requested NOA for international financial institutions is accounted for by a proposed increase from \$50,000,000 to \$205,880,000 in investment in the Inter-American Development Bank. This investment increase is contingent upon passage of pending authorizing legislation. The increased NOA in 1965 will provide the first of two equal installments for callable capital stock to be subscribed by December 31, 1964, and December 31, 1965, according to explanatory notes in the budget document.

The proposed increase in NOA for the Peace Corps is intended to finance the planned expansion of the Corps from a level of 10,500 volunteers serving in foreign fields at the end of fiscal 1964 to a level of 14,000 volunteers at the end of fiscal 1965.

The \$25 million reduction in NOA for public works acceleration results from the phasing out of this temporary program created in September, 1962. Appropriations of \$850 million for fiscal 1963 and \$30 million for fiscal

1964, plus the proposed \$5 million for 1965, account for the exhaustion of all but \$15 million of the original \$900 million authorization for the program. Purpose of the program was to supplement regular public works expenditures of the Federal Government, both on wholly federal projects and on federally-aided state and local projects.

### Department of Agriculture

A \$1.3 billion net reduction in NOA for the Department of Agriculture, in the comparison of fiscal 1965 with fiscal 1964, results principally from (1) a change in the method of financing meat inspection services, (2) expiration of soil bank contracts, (3) Commodity Credit Corporation financing arrangements, and (4) a proposed shift (requiring legislation) to a plan of allowing Rural Electrification Administration loan receipts to be re-loaned without further authorizing action.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Department of Agriculture:</u>				
Agricultural Research Service.....	\$ 186,854	\$ 169,570	\$ 17,284*	\$
Cooperative State Research Service...	41,633	42,460		827
Extension Service.....	80,180	77,679	2,501	
Farmer Cooperative Service.....	1,201	1,102	99*	
Soil Conservation Service.....	202,133	204,042		1,909
Economic Research Service.....	9,909	9,476	433	
Statistical Reporting Service.....	11,272	11,431		160
Agricultural Marketing Service.....	642,882	544,951	97,931**	
Foreign Agricultural Service.....	21,817	23,678		1,861*
Commodity Exchange Authority.....	1,095	1,119		24
Agricultural Stabilization and Conservation Service.....	765,150	675,062	90,088**	
Foreign Assistance Programs.....	1,889,044	2,366,838		477,794***
Commodity Credit Corporation				
--Price support and related programs.	2,384,333	1,124,068	1,260,265***	
--Special Activities.....	90,179	80,500	9,679**	
Federal Crop Insurance Corporation...	7,058	6,942	116	
Rural Electrification Administration.	506,247	92,518	413,729***	
Farmers Home Administration.....	71,662	157,015		85,253***
Office of Rural Areas Development....	120	124		4
Office of Inspector General.....	--	9,874		9,874***
Office of General Counsel.....	3,967	3,853	114	
Office of Information.....	1,684	1,648	36	
National Agricultural Library.....	1,876	8,347		6,471***
Office of Management Services.....	--	2,527		2,527***
General Administration.....	3,750	3,372	378**	
Forest Service.....	340,854	337,756	3,098	
			(1,895,751)	(586,804)
<b>Total</b>	<b>7,264,900a/</b>	<b>5,955,952</b>	<b>1,308,948**</b>	

See footnotes at bottom of page 54.



Circumstances accounting for the major 1965-under-1964 NOA reductions listed above, as indicated by budget document data, are as follows:

- (1) Agricultural Research Service -- \$17,284,000: Due principally to a \$30,837,000 reduction (partially offset by increases elsewhere) based on the anticipated enactment of proposed legislation to shift meat inspection service from financing out of public funds to a basis of self-support out of fees collected from meat packing plants.
- (2) Agricultural Marketing Service -- \$97,931,000: Due principally to a shift in 1965 financing which eliminates a \$100 million direct appropriation for the special milk program (providing milk for pupils in non-profit elementary and secondary schools) and provides for its financing through a transfer of \$99,831,000 from customs receipts available by law for programs for the disposal of surplus agricultural commodities.
- (3) Agricultural Stabilization and Conservation -- \$90,088,000: This net reduction in the total NOA for the agency is made possible by a \$96,000,000 cut in NOA (from \$294,000,000 to \$198,000,000) for annual rental payments under the conservation reserve program. Contracts under this program, which was known originally as the "soil bank" program, are expiring as the program phases out. (The reduction is largely offset, however, by a proposed supplemental NOA of \$40 million for fiscal 1964, and of another \$40 million for fiscal 1965, for the "cropland conversion" program, which is the successor to the old soil bank program.)
- (4) Price support and related programs of the CCC -- \$1,260,265,000: This reduction is in the item of appropriated funds to reimburse the Commodity Credit Corporation for net realized losses on agricultural price support and related programs. As shown in the above table, the requested 1965 NOA figure for this purpose is less than half of the 1964 amount -- and explanatory notes in the budget document state that the requested 1965 NOA will reimburse the CCC "for a portion of its 1963 realized losses." The practice in recent prior years has been for the appropriation to reimburse approximately for a full year's realized losses. The net loss of the CCC from its price support, export, supply, special milk, and related activities is estimated (1965 Budget Appendix, p. 137) for fiscal 1965 to be \$2,447,221,000, as compared with \$2,617,945,000 for fiscal 1964, and \$2,595,266,000 for fiscal 1963.

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$75,613,000 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 173-189.

- (5) Rural Electrification Administration -- \$413,729,000: Of this net reduction in requested 1965 NOA for the Rural Electrification Administration, \$347,000,000 is accounted for through anticipation of passage of proposed legislation that will permit the REA to re-loan (for electrification and rural telephone system purposes) its loan repayment receipts without obtaining further congressional authorization on an annual basis. The bulk of the remainder of the reduction is accounted for through the anticipated use of unobligated balances of authorizations carried forward from prior years.

The major NOA increases, 1965 over 1964, of agencies of the Department of Agriculture are accounted for as follows:

- (1) The net total requested NOA for foreign agricultural assistance programs is up \$477,794,000 through a combination of increases of \$441,000,000 for sale of commodities for foreign currencies, \$48,549,000 for grants of commodities for famine relief, \$5,485,000 for losses on long-term sales contracts, and \$37,140,000 for bartered materials for strategic stockpiling -- partially offset by a reduction of \$54,380,000 in NOA for obligations under the International Wheat Agreement. Anticipation of lowered domestic wheat prices, eliminating the need for subsidies for wheat sold under the wheat agreement, is responsible for the latter reduction.
- (2) Requested 1965 NOA items for the Farmers Home Administration include an appropriation of \$100,000,000 for the establishment of the proposed new rural housing insurance fund -- offset in part by a \$25,000,000 reduction in the appropriation for direct rural housing loans, which will decline if the proposed loan insurance program becomes operative. There are small NOA increases elsewhere in the FHA budget to account for the total increase of \$85,353,000 in NOA for the agency.
- (3) The Office of Inspector General and Office of Management Services are new agencies within the Department, intended to provide department-wide audit and investigation services and central financing of management services for a number of smaller agencies of the department. The proposed appropriations for the new agencies are said to be offset by reductions in NOA for other agencies.
- (4) The proposed increase in NOA for the National Agricultural Library is accounted for principally by requested NOA of \$7,000,000 for construction of new library facilities at Beltsville, Maryland, for which planning funds of \$450,000 were provided in fiscal 1964.

In conjunction with the budgeted reduction in NOA for reimbursement of Commodity Credit Corporation realized losses, changes in statutory language have been proposed which would terminate a present requirement of payment of interest by the Corporation, to the Treasury, on borrowings for sustained losses that have not been reimbursed by appropriation at the close of a fiscal year. (Appendix to the Budget for the Fiscal Year 1965, p. 136.)

# Department of Commerce

An increase of 15 percent in 1965 NOA, as compared with the 1964 level, is proposed for the Department of Commerce.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Department of Commerce:</u>				
General Administration.....	\$ 4,000	\$ 4,350	\$	\$ 350*
Area Redevelopment Administration....	153,480	222,500		69,020***
Office of Business Economics.....	2,000	2,550		550***
Bureau of the Census.....	29,282	41,500		12,218***
Business and Defense Services				
Admininstration.....	4,600	5,000		400*
Office of Field Services.....	3,725	4,450		725**
International Activities.....	13,330	17,225		3,895***
Office of Trade Adjustment.....	100	850		750***
U. S. Travel Service.....	2,600	3,950		1,350***
Civilian Industrial Technology.....	1,000	--	1,000***	
Coast and Geodetic Survey.....	38,217	38,600		383
Patent Office.....	29,195	32,000		2,805*
National Bureau of Standards.....	39,913	46,400		6,487**
Office of Technical Services.....	1,020	1,750		730***
Weather Bureau.....	79,948	103,125		23,177*
Maritime Administration.....	345,000	356,969		11,969
Bureau of Public Roads.....	51,000	40,000	11,000**	
Transportation Research.....	2,000	2,000		
			(12,000)	(134,809)
Total	800,410a/	923,219		122,809**

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$8,460,000 of proposed supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 189-201.

The President's recommendation for the expansion of the area redevelopment program is responsible for the largest item of NOA increase for fiscal 1965 in the Department of Commerce budget, as outlined above.

Proposed NOA for the Area Redevelopment Administration includes a requested supplemental appropriation of \$8 million for fiscal 1964, to finance grants-in-aid for public facilities, as well as 1965 NOA of \$35 million for public facility grants and of \$170 million (up from \$132 million) in loan authorizations. The ARA budget requests are contingent upon passage of ARA-expansion legislation of the type defeated in the House of Representatives in June, 1963.

The increase shown in the above table for the Bureau of the Census is occasioned principally by fiscal provisions for the 1964 census of agriculture, while the increase for international activities is intended to permit the establishment abroad of additional trade centers and commercial trade fairs.

The two reductions in requested NOA for Department of Commerce agencies reflect a phasing out of the civilian industrial technology program and reductions in amounts of funds made available for public lands highways and the Inter-American highway. Termination of the industrial technology program is in harmony with action of the Congress on fiscal 1964 appropriations in allowing funds only for the completion of an already-started textile research project.

## Department of Defense -- Military

Military functions of the Department of Defense account for nearly half of the total \$103.8 billion of NOA requested in the federal administrative budget for fiscal 1965, as indicated below.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Department of Defense -- Military:</u>				
Military personnel.....	\$13,938,100	\$14,769,000	\$	\$ 830,900*
Operation and maintenance.....	11,709,231	12,396,000		686,769*
Procurement.....	15,706,047	13,756,000	1,950,047**	
Research, development, test, and evaluation.....	6,949,180	6,722,000	227,180	
Military construction.....	948,474	1,168,000		219,526**
Family housing.....	637,406	711,000		73,594**
Civil defense.....	111,562	358,000		246,438***
Military assistance, foreign.....	1,000,000	1,000,000		
			(2,177,227)	(2,057,227)
Total	51,000,000a/	50,880,000	120,000	

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$1,087,400,000 of proposed supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 201-213.



From the standpoint of total new obligational authority, as indicated above, the budget for military functions of the Department of Defense remains at virtually a constant level for fiscal 1965, as compared with fiscal 1964. Whereas the budget shows an estimated total expenditure reduction for fiscal 1965 of \$1.1 billion for military functions of the Department of Defense, the corresponding NOA reduction is \$120 million.

Inasmuch as the 1964 NOA shown above includes \$1,087,400,000 of proposed supplemental NOA for the current fiscal year, the 1965 NOA figure actually represents an increase over the 1964 enacted NOA amount. However, \$853 million of the proposed 1964 supplemental NOA is for the purpose of meeting pay increases provided under the Uniformed Services Pay Act of 1963, for which funds were not appropriated during the 1963 congressional session.

The requested 1965 NOA for pay of military personnel (\$831 million increase) includes provisions for a full year of increased pay under the 1963 Uniformed Services Pay Act, for a proposed additional pay increase to be effective October 1, 1964, and for an expansion of the active duty military personnel from an average of 2,684,630 for fiscal 1964 to an average 2,686,814 for fiscal 1965. For the proposed new pay increase of October, 1964, NOA of \$143 million in the new fiscal year is budgeted. Additionally, \$29 million of NOA is requested to fund proposed new legislation to provide for a uniform ration for enlisted personnel.

As shown by the preceding table, the principal reduction in NOA for the Department of Defense is accomplished through the "procurement" section of its budget. The largest procurement reduction (\$1,152 million) is in procurement of equipment and missiles for the Army. Procurement totals for other branches of the armed services also are reduced except in the cases of aircraft procurement for the Air Force, for which the 1965 NOA is up \$277 million over the 1964 figure, and procurement of equipment for departmentwide purposes, for which the 1965 amount is up \$19 million.

The requested \$246 million increase in 1965 NOA for civil defense is accounted for principally by an increase of \$224 million (from \$41 million to \$265 million) for construction of civil defense shelters. The requested increase is contingent upon passage of proposed legislation authorizing an expanded program of construction, and equipping and stocking of fallout shelters of federal, state, and local governmental agencies and of non-profit institutions.

# Department of Defense -- Civil

Obligational and expenditure authority granted to the Army Corps of Engineers, for its extensive projects in the control and use of water resources, constitute the bulk of the proposed 1965 fiscal commitments for civil functions of the Department of Defense.

	NOA <u>1964</u>	Requested NOA <u>1965</u>	<u>Reduction</u>	<u>Increase</u>
	-----thousands-----			
<u>Department of Defense -- Civil:</u>				
Cemeterial expenses.....	\$ 10,800	\$ 13,295	\$	\$ 2,495**
Corps of Engineers--Civil.....	1,096,933	1,152,164		55,230*
Ryukyu Islands, Army.....	10,000	14,441		4,441***
Panama Canal.....	32,225	33,595		1,370
Miscellaneous accounts.....	<u>115</u>	<u>125</u>	<u></u>	<u>10*</u>
Total	1,150,074a/	1,213,620		63,546*

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$1,800,000 of proposed supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 213-217.

The \$55 million increase in NOA for the Corps of Engineers is accounted for principally by a \$53 million increase from (\$827 million to \$880 million) in 1965 NOA for its general construction account. This account covers construction work on navigation projects, alterations of bridges over navigable waters, beach erosion control projects, flood control projects, and varied multiple-purpose projects.

According to explanatory data in the budget document, the scheduled general construction activities for fiscal 1965 include the continuation of construction on 217 projects, the completion of 48 projects, and the start of construction on 34 projects.

# Department of Health, Education, and Welfare

The President's proposed new education-aid program combines with other new expenditure proposals, funding requirements of new programs created by 1963 enactments, and planned expansions of existing programs to account for a requested 25 percent increase for fiscal 1965 over fiscal 1964 in new obligational authority for the Department of Health, Education, and Welfare.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Department of Health, Education, and Welfare:</u>				
Food and Drug Administration.....	\$ 40,153	\$ 50,525	\$	\$ 10,372***
Office of Education.....	1,075,007	2,155,796		1,080,789***
Vocational Rehabilitation Adminis- tration.....	128,407	145,880		17,473**
Public Health Service:				
--National Institutes of Health.....	970,663	1,050,367		79,704*
--All other, Public Health Service...	783,139	911,893		128,754**
Saint Elizabeth's Hospital.....	8,523	10,493		1,970**
Social Security Administration.....	92	60,000		59,908***
Welfare Administration.....	3,057,017	3,221,010		163,993*
American Printing House for the Blind	775	865		90**
Freedmen's Hospital.....	3,880	3,873	7	
Gallaudet College.....	4,741	2,293	2,448***	
Howard University.....	15,064	11,470	3,594**	
Office of the Secretary.....	14,928	24,631		9,703***
			(6,049)	(1,552,756)
Total	6,102,389a/	7,649,096		1,546,707***

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$856,556,000 of proposed supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 217-236.

Individual items that account for the bulk of the increases in requested 1965 NOA reflected above, as compared with 1964 NOA, are as outlined below.

For the Office of Education, the dominant item is requested NOA of \$718,400,000 for the proposed new education program, subject to passage of legislation creating the program. Technically, this represents an increase for fiscal 1965 of \$713,400,000, inasmuch as supplemental NOA for fiscal 1964 of \$5,000,000 is proposed for the institution of the program. The explanation of the proposal in the budget document is as follows:

Pending legislation will increase educational opportunities for individuals in higher education, upgrade and strengthen training of teachers, expand library services and facilities, stimulate basic education and extension programs for adults, improve teachers' salaries and public school classrooms, and facilitate public school desegregation. An enlarged proposal provides grants to assist in meeting special educational needs of disadvantaged and other children, particularly to combat poverty.

Other major NOA increases for the Office of Education are the following:

	NOA for		Increase
	1964	1965	
Vocational education, including expansion under 1963 vocational education act.....	\$ 94,756,000	\$183,296,000	\$ 88,540,000
Initiation of programs authorized in Higher Education Facilities Act of 1963.....	266,750,000	464,000,000	197,250,000
Payments to federally-impacted school districts.....	320,670,000	359,450,000	38,780,000
Defense educational activities (total).....	254,878,000	287,890,000	33,012,000
For the <u>Public Health Service</u> , NOA items involving major increases are:			
	NOA for		Increase
	1964	1965	
Hospital construction grants and related activities.....	\$226,245,000	\$293,346,000	\$ 62,052,000
Initiation of programs under 1963 act for support of medical and dental education.....	30,390,000	85,782,000	55,392,000
National institutes of health...	970,663,000	1,050,367,000	79,704,000

Requested NOA for the Social Security Administration includes a new item of \$60,000,000 for payments under proposed legislation for military service credits, to meet the first of 50 annual installments to the OASDI trust fund for this purpose. (Most of the financing of the Social Security Administration is carried out under trust funds, and is not reflected in the administrative budget.)

For the Welfare Administration, the major NOA increases are in three appropriation items. They are:

	NOA for		Increase
	1964	1965	
Grants for public assistance....	\$2,884,600,000	\$2,980,000,000	\$ 95,400,000
Maternal, child welfare grants..	99,443,000	131,830,000	32,387,000
Proposed community work training for welfare recipients.....	--	50,000,000	50,000,000

The NOA reductions shown for Gallaudet College and Howard University are accounted for by cut-backs in allowances for construction.

#### Department of the Interior

The Department of the Interior plans expansions of its outdoor recreation and Bureau of Mines programs, combined with cut-backs in requested NOA for the National Park Service and the Bureau of Reclamation. For the Department as a whole, the requested NOA for 1965 represents a 2.4 percent increase over the corresponding NOA for 1964.

NOA 1964	Requested NOA 1965	Reduction	Increase
-----thousands-----			

#### Department of the Interior:

Bureau of Land Management.....	\$ 126,667	128,612	\$	\$ 1,945
Bureau of Indian Affairs.....	217,601	217,993		392
National Park Service.....	128,976	115,163	13,813**	
Bureau of Outdoor Recreation.....	1,900	42,700		40,800***
Office of Territories.....	46,506	44,314	2,192	
Geological Survey.....	63,700	69,224		5,524*
Bureau of Mines.....	45,491	61,332		15,841***
Office of Coal Research.....	5,075	6,836		1,761***
Office of Minerals Exploration.....	850	900		50*
Office of Oil and Gas.....	616	660		44*
Commissioner of Fish and Wildlife....	386	393		7
Bureau of Commercial Fisheries.....	32,507	35,693		3,186*
Bureau of Sport Fisheries and Wildlife	76,556	75,814	742	
Bureau of Reclamation.....	357,721	323,612	34,109*	
Bonneville Power Administration.....	50,065	58,800		8,735**
Southeastern Power Administration....	999	1,000		1
Southwestern Power Administration....	8,999	8,950	49	
Office of Saline Water.....	11,850	12,950		1,100*
Office of Solicitor.....	3,999	4,173		174
Office of the Secretary.....	3,855	4,125		270*
Total	1,184,319a/	1,213,244	(50,905)	(79,830) 28,925

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$20,139,000 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 236-253,

The requested NOA increase shown above for the Bureau of Outdoor Recreation is accounted for almost entirely by a new appropriation item of \$40,000,000 for the proposed creation, requiring legislation, of a land and water conservation fund.

Proposed for the Bureau of the Mines is an increase of \$14,000,000--from an allowance of \$6,000,000 for 1964 to a total of \$20,000,000 for 1965--in the authorization of borrowing from the Treasury for the purchase of helium. Eventual repayment of the Treasury is scheduled, as the helium is sold.

Reductions in construction allowances account principally for the net reduction of \$13,813,000 in NOA for the National Park Service. For the Bureau of Reclamation, requested NOA for the Upper Colorado River fund is reduced by \$36,191,000, from \$99,991,000 to \$57,800,000.

#### Department of Justice

Requested 1965 NOA for the Department of Justice represents a 6.8 percent increase over corresponding NOA for fiscal 1964.

NOA 1964	Requested NOA 1965	Reduction	Increase
-----thousands-----			

#### Department of Justice:

Legal activities and general admin- istration.....	\$ 61,712	\$ 65,140	\$	\$ 3,428*
Federal Bureau of Investigation.....	146,828	150,445		3,617
Immigration and Naturalization Service.....	69,000	71,800		2,800
Federal prison system.....	67,022	80,753		13,731**
Total	344,562a/	368,138		23,576*

\* 5% or more; \*\* 10% or more.

a/ Includes \$801,000 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 254-255.

The largest increase among requested appropriations for the Department of Justice is in the account for buildings and facilities of the federal prison system, where the increase is from \$9,525,000 in 1964 to \$21,212,000 for 1965. Most other appropriation items show relatively small increases.



### Department of Labor

The President's proposed youth employment program and expansion of manpower training and development activities are the factors largely responsible for a proposed 77 percent increase in 1965 NOA for the Department of Labor, as compared with 1964 NOA.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Department of Labor:</u>				
Bureau of Labor Statistics.....	\$ 17,665	\$ 18,388	\$	\$ 723
Bureau of International Labor Affairs.	842	863		21
Manpower Development and Training				
Activities.....	164,977	411,000		246,023***
Area Redevelopment Activities.....	8,500	9,000		500*
Trade Adjustment Activities.....	150	345		195***
Bureau of Apprenticeship and Training.	5,460	5,541		81
Unemployment Compensation for federal				
employees and ex-servicemen.....	140,000	126,000	14,000**	
Mexican Farm Labor Program.....	1,300	870	430***	
Youth employment program (proposed)...	30,000	160,000		130,000***
Labor-Management Relations.....	8,283	8,527		244
Bureau of Labor standards.....	3,470	3,545		75
Women's Bureau.....	784	772	12	
Wage and Hour Division.....	19,275	20,528		1,253*
Bureau of Employees Compensation.....	63,113	57,051	6,062*	
Office of Solicitor.....	4,420	4,857		437*
Office of the Secretary.....	2,219	3,223		1,004***
			(20,504)	(380,556)
Total	470,458a/	830,510		360,052***

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$120,430,000 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 256-261.

Inasmuch as the NOA shown above for fiscal 1964 includes \$120,430,000 in requested supplemental appropriations (principally \$55 million for manpower development and training, \$30 million for the youth employment program, and \$30 million for unemployment benefits for federal employees and veterans.) the 1965 total of \$830,510,000 actually is more than double the enacted level of Labor Department NOA at the time of the budget submission.

The manpower training and development program was broadened by a 1963 enactment. Under bills pending in the Congress, the youth employment program encompasses the establishment of both youth conservation corps and home town youth corps, for the employment under government auspices of persons aged 16 through 21.

The \$14 million reduction in requested NOA for unemployment compensation for federal employees and ex-servicemen is based on expectations of improvement in the economy. The 1964 figure for this purpose, however, includes \$30 million of requested supplemental NOA.

### Post Office Department

Due to expected increases in Post Office receipts that will more than offset cost increases, a 16 percent reduction in the fiscal 1965 contribution of tax funds to the postal fund is anticipated.

	NOA <u>1964</u>	Requested NOA <u>1965</u>	<u>Reduction</u>	<u>Increase</u>
	-----thousands-----			
<u>Post Office Department:</u>				
Contribution to postal fund.....	\$ 654,399	\$ 550,700	\$ 103,699**	

\*\* 10% or more.

Source: The Budget of the United States Government--1965, pp. 261-262.

Data in the budget document forecast a growth of mail volume in the coming fiscal period of 2.8 percent, and an increase of \$105 million (to a total of more than \$5 billion) in expenditures out of the postal fund. However, the anticipated growth in receipts results in the reduction indicated above in requested NOA.



# Department of State

A showing of a reduction in requested 1965 NOA for the Department of State, as compared with 1964 NOA, results from the inclusion in the 1964 NOA base of requested supplemental appropriations to fund three unusual expenditure items.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
Department of State:				
Administration of foreign affairs....	\$ 182,005	\$ 197,297	\$	\$ 15,292*
International organizations and conferences.....	104,487	95,133	9,354*	
International commissions.....	50,967	20,034	30,933***	
Educational exchange.....	85,121	54,007	31,114***	
Other activities .....	12,480	10,130	2,350**	
			(73,751)	(15,292)
Total	435,060a/	376,601	58,459**	

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$81,710,000 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 263-267.

The enacted 1964 NOA total for the Department of State at the time of the budget submission was \$353,350,000. By comparison, the newly requested NOA, representing a combination of the supplemental for 1964 and the 1965 amount, would total \$458,311,000.

The unusual NOA items that have been assigned to the 1964 fiscal year as supplemental requests are \$39,310,000 for the purpose, it is explained, of making effective the Chamizal settlement with Mexico; \$12,000,000 to help UNESCO preserve ancient Nubian monuments in Egypt and the Sudan, and \$25,000,000 to establish, under an existing agreement, a foundation for an educational and cultural exchange with Japan.

The \$9 million reduction in the NOA item for international organizations and conferences reflects the expected termination of UN peace and security operations in the Congo and the expectation that need for a UN working capital fund advance will not recur.

# Treasury Department

Appropriations for the Treasury Department are dominated, from the standpoint of amount of funds involved, by the NOA required for interest on the public debt -- which for fiscal 1965 is up \$400,000,000, for a total of \$11 billion.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
Treasury Department:				
Office of the Secretary.....	\$ 5,236	\$ 5,593	\$	\$ 357*
Bureau of Accounts.....	58,871	50,249	8,622**	
Bureau of the Public Debt.....	47,992	49,250		1,258
Office of the Treasurer.....	15,575	6,290	9,285***	
Bureau of Customs.....	72,432	78,200		5,768*
Internal Revenue Service.....	684,600	732,000		47,400*
Bureau of Narcotics.....	5,350	5,550		200
United States Secret Service.....	9,305	10,100		795*
Bureau of the Mint.....	9,719	27,760		18,041***
Bureau of Engraving and Printing.....	--	5,750		5,750***
Coast Guard.....	365,277	423,300		58,023**
Interest on the public debt.....	10,600,000	11,000,000		400,000
			(17,907)	(537,592)
Total	11,874,357a/	12,394,042		519,685

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$13,029,000 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 268-274.

In the above listing of NOA items, the reduction for the Bureau of Accounts is due chiefly to the fact that, as is customary, the budget as submitted contains no allowance for claims, judgments, and relief acts, inasmuch as amounts required are appropriated in individual relief acts. Absence of the NOA item does not mean that there will be an absence of obligations incurred during fiscal 1965.

The reduction for the Office of Treasurer is due to substitution of Federal Reserve notes for \$1 silver certificates, which reduces the procurement of currency, plus the fact that the 1964 NOA was inflated by a non-recurring purchase of electronic equipment.

The NOA increase for the Internal Revenue Service is occasioned principally by anticipated workload growth, and the increases for the Bureau of the Mint and Bureau of Engraving and Printing are accounted for chiefly by plans for construction and air-conditioning projects. The increase for the Coast Guard is due principally to a \$39 million increase in allowances for acquisitions, construction, and improvements, and to a \$15 million increase in general operating expenses.

### Major Independent Agencies

Substantial reductions for fiscal 1965 in NOA for major independent agencies that are reflected in budget "bookkeeping" do not mean a curtailment of activities, in most instances, of these agencies.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Major Independent Agencies:</u>				
Atomic Energy Commission.....	\$2,742,669	\$2,693,000	\$ 49,669	\$
Federal Aviation Agency.....	813,206	751,250	61,956*	
General Services Administration.....	634,549	632,298	2,251	
<u>Housing and Home Finance Agency:</u>				
Urban transportation assistance.....	--	75,000		75,000***
College housing loans.....	300,000	300,000		
Urban renewal fund.....	1,400,000	--	1,400,000***	
Housing for the elderly fund.....	100,000	75,000	25,000***	
Federal Housing Administration.....	142,395	--	142,395***	
Public Housing Administration.....	212,484	230,670		18,186*
All other--HHFA .....	48,359	68,384		20,025***
Total--HHFA	2,203,238	749,054	1,454,184***	
<u>National Aeronautics and Space Administration:</u>				
Research and development.....	4,050,615	4,382,000		331,385*
Construction of facilities.....	673,500	281,000	392,500***	
Administrative expenses.....	516,851	641,000		124,149**
Total--NASA	5,240,966	5,304,000		63,034
<u>Veterans Administration:</u>				
General operating expenses.....	159,710	156,524	3,186	
Medical care.....	1,091,749	1,115,935		24,186
Compensation and pensions.....	3,921,000	3,963,000		42,000
Direct loans to veterans and reserves	150,000	--	150,000***	
All other.....	230,148	208,312	21,836*	
Total--Veterans Administration	5,552,607	5,443,771	108,836	
			(2,248,793)	(634,931)
Total--Major Independent Agencies	17,187,235a	15,573,373	1,613,862*	

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$1,570,429 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 274-290.

Circumstances bearing on the major reduction and increase items listed above are as follows:

The 1965 NOA reduction for the Federal Aviation Agency is accounted for principally by the fact that a \$60 million appropriation of fiscal 1964 for the development of civil supersonic aircraft eliminates the need for any appropriation for this purpose for fiscal 1965. Otherwise, a \$21 million increase in NOA for operating expenses and a \$25 million reduction in NOA for facilities and equipment are, in the main, counterbalancing.

The reduction for the Atomic Energy Commission reflects decreases in procurement of uranium concentrates and other operating expense reductions.

For the Housing and Home Finance Agency, the reduction shown technically in NOA for the urban renewal fund is accomplished through the assigning to the 1964 fiscal year of a \$1.4 billion requested supplemental NOA to finance operations in 1965 and 1966. (This NOA is in the form of contract authorization for grants for urban renewal projects, for which federal contributions usually are two-thirds of the costs. Existing authorizations for this purpose total \$4 billion and had been programed to carry through fiscal 1964. The proposed supplemental NOA would increase the total contract authorizations to \$5.4 billion.) The \$25 million reduction in NOA for housing for the elderly is possible because of a carry-over of NOA from the prior year, despite an anticipated higher program level. The \$142 million reduction for the Federal Housing Administration is explained as resulting from "increased use of private rather than FHA financing of resales of properties acquired as a result of defaults on insured mortgages," and from the transfer of certain mortgages to the Federal National Mortgage Association. The partially offsetting increase of \$75 million for urban transportation assistance anticipates the passage of pending legislation to create a new program of loans and grants for urban mass transportation systems.

For the National Aeronautics and Space Administration, the net total increase for fiscal 1965 of \$63 million is in addition to \$141 million of requested supplemental NOA that is included in the figure shown for fiscal 1964 -- and reflects plans to carry on with the man-to-the-moon project.

For the Veterans Administration, the \$150 million reduction in NOA for direct loans to veterans and reserves is due to a decrease in loaning activities as World War II veterans' entitlement runs out.



# Other Independent Agencies

Remaining independent agencies financed in whole or part through the administrative budget are listed below.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
<u>Other Independent Agencies:</u>				
Advisory Commission on Intergovern- mental Relations.....	\$ 385	\$ 395	\$	\$ 10
American Battle Monuments Commission.....	1,800	1,800		
Civil Aeronautics Board.....	97,896	94,824	3,072	
Civil Service Commission.....	110,505	50,025	60,480***	
Commission of Fine Arts.....	91	161		70***
Commission on Civil Rights.....	985	985		
Farm Credit Administration (adminis- trative expense).....	2,785	2,876		91
Federal Coal Mine Safety Board of Review.....	65	70		5*
Federal Communications Commission....	15,584	16,610		1,026*
Federal Maritime Commission.....	2,575	3,300		725***
Federal Mediation and Conciliation Service.....	5,687	6,100		413*
Federal Power Commission.....	11,939	13,424		1,485**
Federal Trade Commission.....	12,215	13,270		1,055*
Foreign Claims Settlement Commission.....	1,414	1,700		286**
General Accounting Office.....	45,691	47,200		1,509
Historical and Memorial Commissions..	111	125		14**
Indian Claims Commission.....	297	313		16*
Interstate Commerce Commission.....	24,669	25,850		1,181
National Capital Housing Authority...	43	37	6**	
National Capital Planning Commission.....	650	774		124**
National Capital Transportation Agency	1,000	500	500***	
National Labor Relations Board.....	22,422	25,250		2,828**
National Mediation Board.....	1,950	1,970		20
National Science Foundation.....	353,000	487,700		134,700***
Participation in Interstate Federal Commissions.....	160	136	24**	
President's Advisory Committee on Labor-Management Policy.....	200	200		
Railroad Retirement Board--Payment for military service credits.....	--	13,834		13,834***
Renegotiation Board.....	2,550	2,600		50
Securities and Exchange Commission...	13,933	15,225		1,292*
Selective Service System.....	37,705	43,020		5,315**
Small Business Administration.....	98,472	7,476	90,996***	
Smithsonian Institution.....	22,663	21,081	1,582*	
Subversive Activities Control Board..	425	475		50**

# (Other Independent Agencies Continued)

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
Tariff Commission.....	\$ 3,145	\$ 3,324	\$	\$ 179*
Tax Court of the United States.....	1,890	1,960		70
Tennessee Valley Authority.....	47,142	50,915		3,773*
U. S. Arms Control and Disarmament Agency.....	7,500	11,000		3,500***
United States Information Agency.....	166,102	175,766		9,664*
			(156,660)	( 183,285)
Total--Other Independent Agencies	1,115,646a/	1,142,271		26,625

\* 5% or more; \*\* 10% or more; \*\*\* 25% or more.

a/ Includes \$161,000 of requested supplemental NOA.

Source: The Budget of the United States Government--1965, pp. 290-307.

Neither of the two major reductions in 1965 NOA listed above reflects cut-backs in activities of the affected agencies.

In the case of the Civil Service Commission, NOA for a payment to the civil service retirement and disability fund estimated at \$65,000,000 for fiscal 1965 (as compared with \$62,000,000 for fiscal 1964) is eliminated, with the explanation that pending legislation to provide permanent financing would eliminate the need for an appropriation in 1965.

In the case of the Small Business Administration, 1964 NOA of \$90 million for the agency's revolving fund is reduced to zero with the explanation that a higher program level in 1965 will be financed entirely by repayments, sales, and available balances.

The increase in NOA for the National Science Foundation of \$134,700,000 is described in explanatory notes of the budget document as being for the purpose of expanding the emphasis on science education by 32 percent, on institutional development and improvement by 88 percent, and on basic research by 18 percent.

The item of \$13,834,000 for Railroad Retirement Board in payment for military service credits is dependent upon passage of proposed authorizing legislation.

Increases for the Selective Service System, U. S. Arms Control and Disarmament Agency, and U. S. Information Agency anticipate increased workloads and program expansions.

### District of Columbia

An increase in federal payments and a reduction in federal loans to the District of Columbia are proposed for fiscal 1965.

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
District of Columbia:				
Federal payment to District.....	\$ 40,368	\$ 58,020	\$	\$ 17,652***
Loans and advances.....	19,956	14,400	5,556***	
Total	60,324	72,420		12,096**

\*\* 10% or more; \*\*\* 25% or more.

Source: The Budget of the United States Government--1965, pp. 307-308.

Of the total \$58,020,000 of proposed 1965 NOA for federal payments to the District of Columbia, \$50,000,000 is currently proposed to help defray expenses of the government of the District, under the existing \$50 million authorization for this purpose; \$3,200,000 is requested for water and sewer services to the federal government, and \$4,800,000 is requested as a supplemental appropriation for 1965 to further defray District government expenses, contingent upon the passage of proposed legislation to establish a formula for federal payments based upon the value of federal property in the District.

The proposed NOA for loans to the District, reflecting a reduction for fiscal 1965, are for loans, for varied purposes, which are for 30-year terms and are interest bearing.

The proposed NOA of \$58,020,000 for payments to the District represents approximately 21 percent of the estimated local District government financing needs for operating expenses in fiscal 1965.

### Special Allowances

The special allowances proposed by the President in the fiscal 1965 federal budget are as follows:

	NOA 1964	Requested NOA 1965	Reduction	Increase
	-----thousands-----			
Special Allowances:				
Allowance for attack on poverty.....	\$ --	\$ 500,000	\$	\$ 500,000***
Allowance for civilian pay comparability.....	--	544,000		544,000***
Allowance for contingencies.....	400,000	500,000		100,000***
Total	400,000a/	1,544,000		1,144,000***

\*\*\* 25% or more.

a/ Designated as supplemental NOA for fiscal 1964.

Source: The Budget of the United States Government--1965, pp. 308-309.

The explanatory statement in the budget document with respect to the allowance for the attack on poverty is as follows:

Legislation will be proposed to launch a coordinated Federal, State, and local attack on poverty by providing funds to supplement existing and initiate new activities, under comprehensive local community programs.

Also contingent upon passage of proposed legislation, the proposed allowance for civilian pay comparability would be, as explained, to provide "for civilian pay scales (in government service) more nearly comparable with those in private employment."

With respect to the allowance for contingencies, inasmuch as both the requested \$400 million supplemental NOA for fiscal 1964 and the \$500 million allowance for fiscal 1965 are newly proposed, the two items represent an estimate of \$900 million of proposed additional obligational authority. The budget document explains that this allowance is "to cover unforeseen needs and smaller items of proposed legislation" and that "specific supplemental estimates will be transmitted as the need arises."



## APPENDIX B

CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH  
OF THE UNITED STATES GOVERNMENT

Department or Agency:	As of June		
	1963 Actual	1964 Estimate	1965 Estimate
Executive Office of the President.....	1,660	1,621	1,618
Department of Agriculture.....	112,488	116,800	115,376
Department of Commerce.....	32,338	34,603	34,945
Department of Defense:			
Military and military assistance.....	1,017,117	1,007,000	989,920
Civil.....	32,648	32,293	31,831
Department of Health, Education, and Welfare.	81,062	86,000	90,730
Department of the Interior.....	69,558	72,592	72,774
Department of Justice.....	32,081	32,759	32,759
Department of Labor.....	9,567	10,016	9,954
Post Office Department.....	587,161	593,100	597,900
Department of State.....	24,519	25,324	25,320
Agency for International Development.....	16,782	16,500	15,700
Peace Corps.....	1,110	1,150	1,250
Treasury Department.....	86,579	88,433	90,427
Atomic Energy Commission.....	7,120	7,330	7,330
Federal Aviation Agency.....	46,313	46,400	46,450
General Services Administration.....	32,650	35,944	37,700
Housing and Home Finance Agency.....	14,160	14,410	15,144
National Aeronautics and Space Administration	29,934	32,600	33,800
Veterans Administration.....	172,864	173,021	173,754
Other:			
Civil Service Commission.....	4,085	4,125	4,079
Selective Service System.....	6,916	6,996	8,036
Small Business Administration.....	3,387	3,500	3,500
Tennessee Valley Authority.....	17,917	18,041	17,650
The Panama Canal.....	14,966	15,083	15,228
United States Information Agency.....	11,793	12,228	12,228
Miscellaneous independent agencies and other	23,513	24,531	25,797
Total	2,490,288 <sup>a</sup>	2,512,400	2,511,200

Note: The figures include tentative estimates for employment under appropriations proposed for later transmittal. In accordance with definitions of the Civil Service Commission, the figures cover both those employees who are working on June 30, and also part-time and intermittent employees who work at any time during the month of June.

<sup>a</sup>/ Includes 7,411 project employees for the public works acceleration program.  
Source: The Budget of the United States Government--1965, p. 53.

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