

The original documents are located in Box 3, folder “Budget - General” of the Ron Nessen Papers at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Ron Nessen donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Substitute Table for Budget Restraint Message

(fiscal years; dollar amounts in billions)

	<u>Defense</u> ¹	<u>Interest on the public debt</u>	<u>Nondefense payments for individuals</u>	<u>Other</u>	<u>Total</u>
Actual 1974 expenditures..	78.4	29.3	110.1	50.5	268.4
1975 Budget (July 1 estimate).....	85.8	31.5	130.5	57.6	305.4
Changes (including those proposed).....	-2.6	+1.5	+1.0	-3.2	-3.3
Presently proposed levels for 1975.....	83.2	33.0	131.5	54.4	302.2
<hr/>					
1975: Percent change since July 1.....	-3.0	+4.8	+7	-5.5	-1.1
1975: Percent change over 1974.....	+6.1	+12.6	+19.4	+7.8	+12.6

¹ Department of Defense, Military and Military Assistance.

1975 BUDGET OUTLAYS
(fiscal years; in millions of dollars)

	<u>Defense¹</u>	<u>Interest on the public debt</u>	<u>Nondefense payments to individuals</u>	<u>Nondefense Grants</u>		<u>Government operations</u>	<u>Total</u>
				<u>For individuals</u>	<u>Other</u>		
February budget estimate...	85,800	30,500	111,508	16,918	34,760	24,959	304,445
Changes.....	---	1,000	1,488	628	696	-2,819	993
June estimate.....	85,800	31,500	112,996	17,546	35,456	22,140	305,438
Changes.....	-2,174	1,500	2,665	952	-1,032	-588	1,323
Current base.....	83,626	33,000	115,661	18,498	34,424	21,552	306,761
Proposed reductions.....	-381	---	-1,770	-893	-371	-1,166	-4,581
Revised estimate.....	83,245	33,000	113,891	17,605	34,053	20,386	302,180

¹ DOD Military and Military Assistance; includes military retired pay.

THE WHITE HOUSE

WASHINGTON
October 28, 1974

DSG Report on Ford Voting for Spending Measures

Q: The Democratic Study Group claims that during 1971 through 1973 you voted for 86% of the legislative proposals that would have increased spending above the amounts proposed by the Nixon Administration. In light of your appeals to the people to tighten their belts and your attacks on Democrats as the primary cause of increased Federal spending, what is your comment?

A:

Even their own record shows I had a better record than the Dems in saving I voted to sustain belts where Congress had substantially increased expenditures on authorizations or

R

CONGRESS-SPENDING
BY BRIAN B. KING

WASHINGTON (AP) -- WHEN PRESIDENT FORD WAS HOUSE MINORITY LEADER, HE SUPPORTED 86 PER CENT OF THE MEASURES THAT INCREASED SPENDING ABOVE THE AMOUNTS SOUGHT BY THE REPUBLICAN ADMINISTRATION, THE DEMOCRATIC STUDY GROUP STAFF SAID TODAY.

MOREOVER, THE STAFF OF THE ORGANIZATION OF 170 LIBERAL AND MODERATE HOUSE DEMOCRATS SAID, CONGRESS HAS INCREASED SPENDING BY LESS THAN ONE TENTH OF ONE PER CENT OVER THE AMOUNTS REQUESTED IN THE LAST FOUR YEARS BY FORMER PRESIDENT RICHARD NIXON.

FORD'S CHARGE EARLIER THIS MONTH "THAT DEMOCRATS IN CONGRESS ARE PRIMARILY RESPONSIBLE FOR INCREASES IN FEDERAL SPENDING DOES NOT HOLD WATER," THE DSG STAFF SAID. "IN FACT, IT IS RIDICULOUS IN LIGHT OF HIS OWN RECORD AS A CONGRESSMEN AND THAT OF THE OVERWHELMING MAJORITY OF REPUBLICANS."

OF THE MEASURES THAT INCREASED SPENDING DURING 1971 THROUGH 1973, THE DSG STUDY SAID, FORD SUPPORTED 86 PER CENT OF THEM, DEMOCRATS 93 PER CENT AND REPUBLICANS 90 PER CENT.

FORD, IN EFFECT, APPROVED \$16.9 BILLION IN EXTRA SPENDING IT SAID.

A SUMMARY OF RECENT FEDERAL BUDGETS SHOWED ADMINISTRATION FUNDING REQUESTS OF \$1.044 TRILLION AND SPENDING FOLLOWING CONGRESSIONAL ACTION OF \$1.05 TRILLION.

"PRESIDENT NIXON'S SPENDING REQUESTS RAN UP A DEFICIT . . . OF OVER \$50 BILLION, OF WHICH ONLY 12 PER CENT CAN BE ATTRIBUTED TO CONGRESSIONAL ACTION," THE STUDY SAID.

"THE REST OF THE HUGE DEFICIT CAN LARGELY BE BLAMED ON INEPT REPUBLICAN ECONOMIC POLICIES WHICH HAVE DRIVEN THE ECONOMY INTO TWO RECESSIONS, CAUSING ENORMOUS FALL-OFFS IN TAX REVENUES."

CONGRESS, MEANWHILE, THE STUDY CONTINUED CUT \$11.3 BILLION IN FOREIGN AID AND MILITARY-SPENDING FUNDS AND SHIFTED THEM TO THE DOMESTIC SECTOR.

USING FIGURES FROM THE JOINT COMMITTEE ON REDUCTION OF FEDERAL EXPENDITURES, THE DSG REPORT SHOWED THAT CONGRESSIONAL IMPACT ON THE BUDGET REQUESTS, SUBMITTED BY NIXON REDUCED THEM \$0.63 BILLION IN FISCAL YEAR 1972, INCREASED THEM \$6.13 BILLION IN FISCAL 1973, INCREASED THEM \$2.42 BILLION IN FISCAL 1974 AND DECREASED THEM \$1.66 BILLION FOR FISCAL 1975.

DURING THE FOUR-YEAR PERIOD, 82 MEASURES INCREASED SPENDING OVER THE PRESIDENTIAL BUDGET REQUESTS -- 27 APPROPRIATIONS BILLS AND 55 AUTHORIZATION BILLS. THESE RAISED OUTLAYS BY ABOUT \$22 BILLION, THE REPORT SAID, BUT OTHER BILLS CUT REQUESTS BY ABOUT \$15.8 BILLION, FOR A NET CONGRESSIONAL INCREASE OF \$6.2 BILLION.

ON ONLY FIVE OF THOSE 82 VOTES DID A MAJORITY OF HOUSE REPUBLICANS VOTE AGAINST THE HIGHER SPENDING, IT SAID.

What about cuts voted with me

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

ACTIONS TO REDUCE 1975 SPENDING

The President today is transmitting to Congress a message on actions needed to reduce 1975 spending. A variety of actions are needed to achieve the reductions proposed by the President. Some can be achieved by the Executive Branch under current law. Others require congressional action on appropriations or other legislation. Still others propose withdrawal (rescissions) or deferral of funds previously provided.

SUMMARY OF THESE ACTIONS:

Actions for Consideration by the Congress

	Effect on Federal Spending (in millions of dollars)	
	<u>1975</u>	<u>1976</u>
Enact new legislation transmitted with this message (12 actions).....	-1,783	-3,250
Enact legislation previously transmitted and pending before the Congress (8 actions)	-896	-1,798
Modify appropriation bills now pending before the Congress (32 actions)	-337	-281
Consider revised appropriations' requests transmitted with this message (3actions).....	-50	-30
Rescind (withdraw) funds previously provided (39 rescissions)	-224	-227
Defer use of funds previously provided (41 deferrals)	<u>-317</u>	<u>+18</u>
<u>TOTAL</u> actions for consideration by the Congress (135).....	-3,607	-5,568
<u>Executive Actions Under Current Law</u>		
(11 actions).....	<u>-979</u>	<u>-1,110</u>
TOTAL PROPOSED REDUCTIONS (146).....	-4,586	-6,678

#

November 29, 1974

STATEMENT ON BUDGET RESTRAINT

Earlier this week I sent to the Congress 135 specific proposals to reduce Federal spending. These proposals are an important part of my overall economic program to deal with the problems of inflation and unemployment.

My recommendations would reduce Federal spending this year by \$4.6 billion. These cuts are necessary to help curb the rapid growth of Federal spending -- both now and in the future. They are needed to demonstrate to the American people that the Federal Government is working seriously to curb inflation.

At the same time, the cuts I have recommended will allow us to increase spending for those directly affected by rising unemployment and still hold total spending to a responsible level. I believe we have a special obligation to ease the burden on those who are unemployed and that it would be unwise to make further dollar reductions for each dollar of increased aid to the unemployed.

Even with the proposed decreases, total Federal spending will rise by 12-1/2% this year and payments for individuals will rise by 19-1/2%.

Both Houses of the Congress have expressed a strong desire to hold down total spending. But their action on individual pieces of legislation is not always consistent with this desire. Their unwillingness to join me in deferring the Federal pay raise 3 months cost the taxpayers \$700 million. My veto of the veterans education bill earlier this week is intended to save \$500 million this year. The Congressional override of my veto of the Railroad Retirement Bill will cost \$285 million this year.

The time for Congress to act to reduce spending is overdue. I sincerely hope they will take quick, positive actions on the cuts I have proposed.

Question: A budget cut of \$4.6 billion is said to have an insignificant impact on inflation. If this is true, why bother to make the cuts?

Answer: Inflation must be viewed as a problem requiring a long-term solution. It is not a problem that is going to go away overnight. The cuts that I have recommended, therefore, should be considered as only a first essential step in the direction of fiscal responsibility. The effect on inflation in the months immediately ahead will be small. But in the long run, our efforts to curb the upward momentum of Federal spending is essential to achieve price stability.

November 29, 1974

STATEMENT ON BUDGET RESTRAINT

Earlier this week I sent to the Congress 135 specific proposals to reduce Federal spending. These proposals are an important part of my overall economic program to deal with the problems of inflation and unemployment.

My recommendations would reduce Federal spending this year by \$4.6 billion. These cuts are necessary to help curb the rapid growth of Federal spending -- both now and in the future. They are needed to demonstrate to the American people that the Federal Government is working seriously to curb inflation.

At the same time, the cuts I have recommended will allow us to increase spending for those directly affected by rising unemployment and still hold total spending to a responsible level. I believe we have a special obligation to ease the burden on those who are unemployed and that it would be unwise to make further dollar reductions for each dollar of increased aid to the unemployed.

Even with the proposed decreases, total Federal spending will rise by 12-1/2% this year and payments for individuals will rise by 19-1/2%.

Both Houses of the Congress have expressed a strong desire to hold down total spending. But their action on individual pieces of legislation is not always consistent with this desire. Their unwillingness to join me in deferring the Federal pay raise 3 months cost the taxpayers \$700 million. My veto of the veterans education bill earlier this week is intended to save \$500 million this year. The Congressional override of my veto of the Railroad Retirement Bill will cost \$285 million this year.

The time for Congress to act to reduce spending is overdue. I sincerely hope they will take quick, positive actions on the cuts I have proposed.

THE WHITE HOUSE
WASHINGTON

DEC 20 1974

MEMORANDUM FOR: RON NESSEN
FROM: ~~ROY J. ASH~~
SUBJECT: Federal Spending Scorecard

Here are talking points on the Federal Spending Scorecard for use at the upcoming press conference.

We had earlier given your staff the "Scorecard" for preparation of a chart.

Attachment

cc: Mr. O'Neill
Mr. Laitin

Talking Points
Federal Spending Scorecard

Let me bring you up to date on Congressional increases to the budget.

Here is a chart that shows that the Congress has already added \$2.6 billion to 1975 spending above my program proposals. Since I last showed you a scorecard, the Congress has overridden my veto on a veterans education bill adding \$500 million.

It has also turned down my proposal to rescind unneeded REA funds adding over \$150 million. Appropriation and other actions have added still another \$900 million.

As a result, the 1975 budget has climbed to nearly \$304 billion. If the Congress should disagree with the remaining reduction proposals I have placed before them, this total could reach more than \$307 billion. I hope that when the Congress returns it will not add further to our budget problems.

December 20, 1974

FEDERAL SPENDING
SCORECARD

	<u>1975 Outlays in billions</u>
President's program	\$301.2
Congressional add-ons:	
Congressional insistence on immediate Federal pay raise .	.7
Override of vetoes:	
Railroad retirement3
Veterans education5
Veterans pensions and other benefits2
Turndown of rescission of REA and REAP funds2
Increased appropriations (Labor-HEW, Agriculture, and Supplemental)	<u>.7</u>
Total with Congressional add-ons	303.8
Additional threats:	
Proposed reductions awaiting Congressional agreement	<u>3.4</u>
Total with additional threats	307.2

December 19, 1974

THE WHITE HOUSE

WASHINGTON

JAN 7 1975

MEMORANDUM FOR: RON NESSEN
FROM: ~~ROY L. ASH~~
SUBJECT: Transmittal of the Budget

In using February 3 as the transmittal date for the budget, you should be aware that we need to get approval by the Congress. Existing law requires transmittal during the first 15 days of the Congressional session or no later than January 28 this year.

We will seek a Joint Resolution to obtain the February 3 date. The same Resolution will propose a transmittal date of February 4 for the Economic Message required under existing law by January 20.

To meet the February 3 date, we must begin locking up details of the budget this week. After this "lock-up" various summaries and analyses must be prepared. The schedule is then planned as follows:

Release to GPO for printing:	
Beginning	Monday, January 20
Ending	Tuesday, January 28
Release to the press (with embargo until noon, February 3)	
	Friday, January 31
Press briefing (OMB)	Saturday, February 1
Transmittal to Congress	Monday, February 3

THE WHITE HOUSE

WASHINGTON

JAN 23 1975

INFORMATION

MEMORANDUM FOR: THE PRESIDENT
FROM: ROY L. ASH
SUBJECT: Limit on Indexed Programs

The 5% cap on Federal pay increases and programs tied to the cost of living will save more than \$6 billion in fiscal 1976.

In discussing these savings, you should be aware of the following:

During the 18-month period, January 1, 1975 through June 30, 1976, benefits under the affected programs will receive a 5% increase. However, if an increase of more than 5% has already been made after January 1, 1975, no further increase will be given.

Because of timing differences, the above rule means that some increases like those for the social security program will be limited for 12 months. For others, the limit applies for 18 months.

cc: ✓ Mr. Nessen

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AT THE
PRESS BRIEFING ON THE
1976 FISCAL YEAR BUDGET
BY THE OFFICE OF MANAGEMENT AND BUDGET

DEPARTMENT OF STATE AUDITORIUM

10:02 A.M. EST

Thank you very, very much, Roy, and your associates and the Office of Management and Budget, members of the press, guests:

It is a great privilege to be here, even though the news may not be good. I come here this morning following in the footsteps of another President by coming here personally face to face to present my budget proposals for fiscal year 1976.

That President was Harry Truman, and the last such occasion was January 19, 1952, when he met with the press to discuss the budget for fiscal year 1953, a budget, I might add, that had jumped to \$85 billion, described at that time as astronomical.

In the discussion, President Truman said, and I quote, "This budget has been the biggest headache I have ever had." Well, as I look at the Federal budget for the fiscal year 1976, I can only say, "Harry, I hope you left some aspirin for me." (Laughter)

Let me begin by saying that the President's annual budget is a carefully considered and integrated set of policies, programs and priorities that a President recommends to the people and to the Congress to set our national course into the future. Thus, the budget is one of the President's major policy pronouncements each year.

I want to talk to you about some of the key features of the budget for fiscal year 1976, which I will submit to the Congress next Monday.

It is a big budget, calling for expenditures of \$349 billion -- almost \$1 billion a day -- during the year starting next July 1. It will result in a large deficit for the year -- \$52 billion -- and this deficit, large as it is, would increase by another \$17 billion to nearly \$70 billion if the Congress does not agree to all of the reductions I have requested in this budget.

MORE

It is essential that the Congress be very mindful of this fact.

I do not like to see deficits of this size, nor any, for that matter. I know most Americans agree. I am resolved to take those steps that will make such deficits unnecessary in the future. That requires, most of all, the restoration of a vigorous economy in this country, but we must be realistic.

We must recognize that in times like these, it is good national policy both to provide financial support to those unemployed and to introduce a measured amount of additional stimulus into the private economy by a tax reduction. My budget, as an integral part of the total economic recovery and energy independence plan I have proposed to the Congress, does just that.

Overcoming the recession is, however, not the only goal of my budget. It is equally essential that we not rekindle the fires of inflation. I have carefully gone over the programs proposed by the various Executive departments for the inclusion in the budget.

I have concluded that for this year, at least, it would be imprudent to initiate any new spending programs, except for energy. None is proposed. Further, it has been a popular notion to consider some government expenditures as uncontrollable; that is, they would go on and on whether we like it or not.

I categorically reject that view. They are controllable, if the Congress on the one hand and the President on the other do something about them.

My budget proposes significant reductions in a number of programs up to now considered to be uncontrollable. Together, the reductions I am proposing amount to \$17 billion for fiscal year 1976. I urge the Congress to join me to work with me so that we can bring spending under control.

For a while, the one-time tax reduction I have proposed will aid the economy in overcoming the present recession. The more permanent program expenditure reductions are necessary if we are not to embark on a course of future spending that will be highly inflationary.

Aside from the effects of my proposed tax reduction, the deficits anticipated for both 1975 and 1976 are largely the result of aspects of the budget and the tax system that respond automatically to changes in the economy; that is, in the case of an economic downturn Federal tax collections slow down as incomes and profits slide and unemployment benefits rise very sharply.

MORE

These factors cushion the economy, but they also cost money. Specifically, aid to the unemployed, including the special measures that I proposed and were enacted, will be \$12.7 billion larger in fiscal year 1976 than they were in fiscal year 1974. This will provide income support for more than 14.5 million beneficiaries and their families.

Federal receipts for fiscal year 1976 would be more than \$40 billion higher if the economy were operating normally. These factors, apart from any other consideration, more than account for the deficit in fiscal year 1976.

In short, if the economy were operating at the rate of only a year ago, I would not be forecasting such a large difference between revenues and expenditures. In fact, we would have balanced budgets both this year and next.

Government expenditures at all levels -- Federal, State and local -- together account for one-third of our Gross National Product. An increasing proportion of these expenditures are payments for individuals such as Social Security, Medicare, public assistance and other programs.

But if these kinds of expenditures continue at anywhere near their past rate of growth--more than twice that of GNP--total government expenditures could slice away more than half of our GNP in two decades.

When I submit my budget for this year, I especially urge the budget committees of the House and the Senate to take advantage of the provisions of the new Congressional Budget Control Act.

This permits them in those two committees to set overall budget goals for the year and live within the totals set. In taking this action, the committees in both the House and the Senate should make a detailed study of the \$349 billion budget for fiscal year 1976.

The two committees should note that unless the goals set by the committees for the Congress hold my \$17 billion in budget cuts; in other words, if they don't keep the budget reductions at the levels that I have suggested, the deficit for fiscal year 1976 will rise to nearly \$70 billion, and for 1975 and 1976 together to about \$100 billion.

I, of course, will work very closely with the Congress in all of these matters. I will walk the extra mile and give all of my strength to getting the national economy in shape. I ask the Congress to walk that extra mile with me so that together we will lead the country with strength and purpose to a fuller life for all Americans.

MORE

In view of the fact that this briefing is under embargo, except for my remarks, which I have just made, I am advised that a question and answer session by me at this time would not be appropriate. However, I will be available to answer questions at a news conference next Tuesday.

It is now my pleasure to turn the meeting over to the Director of the Office of Management and Budget, Mr. Roy Ash.

Let me say at this point I know firsthand what a superb job Roy Ash and his people have done at the Office of Management and Budget. I am particularly grateful for the outstanding service that he has given, and I think the American people should consider themselves most fortunate to have had in this important office, Roy Ash.

I wish to publicly thank him and express my indebtedness to him for doing an outstanding job for me, as well as the country.

I will turn Roy over to you. Ask him all of the tough questions, and I will be glad to answer the easy ones next Tuesday.

Thank you very much.

END (AT 10:15 A.M. EST)

Nessen Slaps Star-News For Publishing Budget Early

The White House today barred the Washington Star-News from receiving the customary advance report of President Ford's economic message to Congress because the newspaper ran accounts of Ford's budget in editions on sale two hours before the official submission to Congress.

Press Secretary Ronald Nessen said the Star-News reporter also would be prohibited from attending the formal briefing on the economic report which goes to Congress tomorrow.

Nessen also said a Star-News reporter would not be permitted to ask a question of President Ford at a press conference tomorrow in Atlanta.

The White House action "seems childish to us," said Jim Bellows, editor of the Star-News.

"As far as we are concerned, the embargo was

lifted when President Ford went on television Saturday with the important budget figures."

THE White House also moved at first to impose similar restrictions on the Associated Press, United Press International, Reuters News Service, Dow Jones News Service and the American Broadcasting Co. for releasing budget stories prior to the official noon time.

However, Nessen said later that the restrictions on all but the Star-News would be lifted pending a meeting Wednesday to determine "if penalties will be imposed."

"There were so many involved that it was determined we should have a meeting to discuss it," Nessen said in a brief interview.

THE WIRE services and ABC insisted that they were

within their rights in lifting the embargo after copies of the Star-News with the budget stories went on sale shortly before 10 a.m.

An Associated Press spokesman in New York said that it has long been an accepted journalistic practice that once an embargo is broken by one source it is

See EMBARGO, A-8

EMBARGO

Continued From A-1
considered to be removed for all.

The Philadelphia Evening Bulletin also broke the embargo with stories on the budget proposals in its first edition, which comes out on the streets before 10 a.m., AP reported.

"The Washington Star-News has broken the embargo on the budget. As a consequence, the economic report of the President to Congress will not be given to the Washington Star-News until noon tomorrow, the release time, and the Washington Star-News will not be allowed to attend tomorrow morning's briefing on the economic report of the President.

"In addition, Fred Barnes of the Washington Star-News, who was scheduled to ask a question at the President's news conference in Atlanta tomorrow, will not be allowed to ask his question.

"News organizations which break a release time are unfair to all their colleagues who live up to the embargo. If news organizations start ignoring embargos, we will have an impossible situation in which there will be a race to get into print or on the air first and everyone will lose. In addition, breaking an embargo on a message to Congress puts the President in the position of showing discourtesy to members of the House and Senate because members read about the President's message or hear it broadcast before they receive the official copy."

[1975?]

For the signing some 40 staff members of OMB were present. The President entered the room accompanied by ~~the~~ outgoing OMB director Roy Ash. There was one paragraph added to the ~~the~~ printed text of the statement. It has been put out by the press office as a supplement. In spite of acknowledging the OMB people and Ash during the statement he continued to look into the cameras...never turning his head. He read quietly and without the usual emphasis of a speech. At the conclusion he signed the green-bound document and remarked to Ash, "why didn't we send up these with the same red color?" (a reference to the paperback copies). To which Ash responded: "It would have been cheaper, too." The President then joked that ~~the~~ left handers ~~might~~ ~~appear~~ might appear awkward signing documents, but did you notice those two left handers playing tennis yesterday? (paraphrase) Later, handing the bound copy to Ash the President said, "well, there's the bad news but if it's followed by the congress there will be good news, too." Mr. Ford then shook hands with Ash and five other OMB officials and gave them pens. The five were: Paul O'Neill; Wallace Scott; John Hill; Don Ogilvie and Dale ^{Mac}omber. The president's final comments were, "we'll try to have a better one next year but this one was the best we could have this year under the economic circumstances and the facts of life."

Kempster Washington Star

Bell ABC

STATUS REPORT ON THE BUDGET DEFICIT
(in billions)

	<u>1976</u>	<u>TQ</u>	<u>1977</u>
<u>February budget estimate</u>	51.9	9.8	30.6
Changes to date:			
Congressional action or inaction.....	5.8	0.9	1.0
Other changes.....	<u>2.3</u>	<u>-1.0</u>	<u>1.9</u>
<u>Current estimate</u>	60.0	9.7	33.5
<u>Possible congressional increases:</u>			
<u>Failure to act on reduction proposals</u>	7.6	2.5	8.3
<u>Appropriations bills: 1/</u>			
Education.....	0.5	0.1	0.8
Labor-HEW.....	0.5	0.1	0.3
Public Works.....	0.1	0.1	0.1
All other.....	<u>-0.1</u>	<u>-0.1</u>	<u>-0.2</u>
Subtotal, appropriations.....	1.0	0.2	1.0
<u>Authorizations bills:</u>			
Extension of 1975 Tax Reduction Act.....	4.1	2.2	12.9
Moratorium on OCS leasing.....	6.3	1.6	7.4
School lunch and child nutrition.....	1.0	0.2	1.1
Health insurance for unemployed.....	1.6	0.2	0.4
Countercyclical assistance for State and local governments.....	1.4	0.4	1.4
Public Service employment.....	---	0.3	2.2
Public works employment.....	0.5	0.2	1.8
Change in funding for naval petroleum reserve.....	0.3	0.5	2.5
Education of the handicapped.....	0.4	0.3	1.0
Postal Service increases.....	1.9	0.5	1.9
Military procurement reductions.....	-1.3	-0.5	-1.0
Other.....	<u>3.1</u>	<u>1.3</u>	<u>4.9</u>
Subtotal, authorizations bills.....	19.3	7.3	36.6
Total, possible Congressional increases..	<u>27.8</u>	<u>9.9</u>	<u>45.9</u>
	<u>1975</u>		
Potential deficit.....	43-45	87.9	19.6
		79.4	

1/ Includes only bills on which some Congressional action has been taken. Excludes DOD Military, Military construction, Foreign aid, and District of Columbia.

July 22, 1975

POTENTIAL CONGRESSIONAL CHANGES
TO FIRST CONCURRENT RESOLUTION

(In billions of dollars)

	<u>Outlays</u>	<u>Deficit</u>
Congressional concurrent resolution (5/14/75).....	367.0	68.8
Action completed or underway.....	216.4	
Balance of Administration request under review..	<u>153.4</u>	
1976 levels if action underway and balance of Administration request is approved.....	369.8	
Congressional concurrent resolution level.....	<u>-367.0</u>	68.8
Amount currently above concurrent resolution level.....	2.8	<u>2.8</u>
<u>Current estimate</u>		71.6
Changes under consideration by Senate in authorizing bills:		
Military procurement (S. 920).....	-1.6/-1.0	
Public Service employment assistance (S. 1695)..	3.0/3.0	
Postal Service subsidy (H.R. 8603).....	1.7/1.7	
Countercyclical assistance for State and local governments (S. 1359).....	1.0/1.5	
Public Works Employment Act (S. 1587/H.R. 5247).	0.5/1.0	
Energy programs (S. 677, S. 1883, S. 622, S. 598).....	0.8/0.8	
Medical research.....	0.7/0.7	
Nurse training (S. 66).....	0.6/0.6	
Veterans benefits (S. 969).....	0.6/0.6	
Special education programs (S. 6, S. 462).....	0.5/0.5	
SSI/Black lung programs (H.R. 8).....	0.4/0.4	
Other changes under consideration.....	<u>2.3/2.8</u>	
Subtotal, changes under consideration by Senate.....		<u>10.5/12.6</u>
Potential deficit under consideration in Senate.....		82.1/84.2
Further action under consideration in the House:		
Moratorium on Offshore Oil and land leasing (H.R. 5588).....		<u>2.3</u>
Potential deficit under consideration by the Congress (range as of 7/21/75).....		84.4/86.5

July 22, 1975

January 31, 1975

BUDGET REDUCTIONS
(In billions)

	<u>Effect on Spending</u>	
	<u>1975</u>	<u>1976</u>
Proposed last year:		
Total proposed	\$-5.2	\$-8.9
Overtured by Congress	2.0	1.0
Adjustments	<u>.2</u>	<u>-.2</u>
Total remaining	-3.0	-8.1
New actions proposed this year	<u>-.3</u>	<u>-8.9</u>
Total budget reductions	-3.3	-17.0
Of which:		
Rescissions:		
Pending	-.5	-.7
Realized	--	-.1
Deferrals	-.7	-1.8
New legislation	-1.2	-12.3
Administrative and other actions	-.8	-2.1

-REDUCTIONS IN THE 1976 BUDGET-
 EXPECTED SAVINGS FROM LEGISLATION
 REDUCING THE 1976 BUDGET

(Outlays in millions)

<u>Item</u>	<u>1975</u> <u>Estimate</u>	<u>1976</u> <u>Estimate</u>
<u>Agriculture</u>		
Child nutrition program		
Limit on cost-of-living increase.....	---	-64
Block grants.....	---	-517
Food stamps-limit on cost-of-living increases.....	---	-217
<u>Defense</u>		
Limit on cost-of-living increases for:		
Retired pay.....	---	-617
Military and civilian	---	-1,191
Reduction in reserve component strength..	-14	-3
Production and sale of oil from Naval petroleum reserves.....	-112	-400
<u>Health, Education, and Welfare</u>		
Limit on cost-of-living increase for:		
OASDI.....	---	-2,546
Coal miner benefits.....	---	-23
Supplementary security income.....	---	-85
OASDI:		
Eliminate certain retroactive benefits of actuarially reduced monthly benefits.	-45	-443
Eliminate the retirement test monthly measure.....	-15	-205
Medicare:		
Modify cost sharing structure.....	-255	-1,279
Place some limits on provider costs....	---	-100
Public assistance:		
Adopt revised income disregard provision.....	-118	-499
Revise federal matching for medicaid and discontinue most adult dental care.....	-199	-610
Change Federal matching rate for social services from 75% to 65%.....	---	-448
Restrict types of training subject to Federal financing participation.....	-10	-30
Education impact aid		
Revise the impact aid program to provide payment only for that portion of a local educational agency's entitlement in excess of 5% of its previous year's total operating budget.	---	-260

<u>Item</u>	<u>1975</u> <u>Estimate</u>	<u>1976</u> <u>Estimate</u>
<u>Labor</u>		
Federal employment benefits-limit on cost-of-living increase.....	---	-10
<u>State</u>		
Foreign service retirement-limit on cost-of-living increase.....	---	-5
<u>Transportation</u>		
Improve equity of treatment for users of Federally funded transportation facilities.....	-25	-100
General aviation airport landing fees....	-25	-95
<u>Energy Research and Development</u>		
<u>Administration</u>		
Commercial charges on uranium enrichment services.....	---	-86
<u>General Services Administration</u>		
Stockpile disposal legislation.....	-150	-443
<u>Veterans Administration</u>		
Repeal the two year extension of the delimiting period for readjustment benefits set by public law 93-337.....	-161	-600
Reimbursement by private insurers for medical care.....	-61	-122
<u>Civil Service Commission</u>		
Limit on cost-of-living increase for civil service retirement.....	---	-768
<u>Railroad Retirement Board</u>		
Limit on cost-of-living increase for railroad retirement.....	---	-116
<u>Expected pay increase; civilian agencies</u>		
Limit on cost-of-living increase for pay increase.....	---	-410
Total.....	-1,190	-12,292

RESCISSIONS AND DEFERRALS PENDING BEFORE THE CONGRESS
(Special Messages #1-8)

Agency	No. of Items	1975 Budget Authority	Outlay Savings Pending (\$ in millions)		Planned Congressional Action	
			1975	1976		
Agriculture:						
Rescissions...	8	227.8	63.1	135.8	<u>For all pending rescissions:</u> The House Appropriations Committee plans to report out in early February a rescission bill that will consider all rescissions then pending. (The eighth special message has not yet been transmitted.)	
Deferrals.....	11	473.2	5.0	10.0		
Commerce:						
Rescissions...	7	23.6	8.7	4.0	Withheld funds for rescissions not included in this bill would be subject to release on March 10.	
Deferrals.....	17	164.9	3.9	24.4		
Defense:						
Rescissions...	14	279.8	116.6	86.6	<u>For all pending deferrals:</u> The House has scheduled hearings on only the two items identified below, though others may be scheduled. The Senate has not yet assigned committee jurisdiction on rescissions and deferrals and thus no Senate hearings are scheduled.	
Deferrals:						
Corps of Engineers..	3	58.6	42.2	--		
Other.....	3	1,402.6	--	--		
HEW:						
Rescissions:						
Hill-Burton.	1	284.7	11.0	32.0	Hearings scheduled in House Labor-HEW appropriation subcommittee week of 1/27.	
Other.....	25	886.1	278.4	416.1		
Deferrals.....	24	792.7	1.0	-0.9		

Agency	No. of Items	1975 Budget Authority	Outlay Savings Pending (\$ in millions)		Planned Congressional Action
			1975	1976	
HUD:					
Rescissions...	--		--	--	
Deferrals:					
Comprehensive Planning Grants.....	1	50.0	10.0	40.0	Hearings scheduled in House HUD-Independent Offices appropriation subcommittee week of 1/27.
Other.....	8	922.8	13.0	115.6	
Interior:					
Rescissions...	--	--	--	--	
Deferrals.....	20	657.4	59.8	-16.0	
Justice:					
Rescissions...	5	16.0	16.0	--	
Deferrals.....	1	19.3	--	--	
Labor:					
Rescissions...	1	12.0	14.0	8.0	
Deferrals.....	5	.5	--	--	
State:					
Rescissions...	2	2.1	2.1	--	
Deferrals.....	3	38.5	1.7	6.6	
Transportation:					
Rescissions...	--	--	--	--	
Deferrals:					
Federal-Aid Highways...	1	10,728.0	350.0	1,600.0	
Other.....	6	376.0	--	--	

Agency	No. of Items	1975 Budget Authority	Outlay Savings Pending (\$ in millions)		Planned Congressional Action
			1975	1976	
Treasury:					
Rescissions...	7	24.0	23.9	--	
Deferrals.....	--	--	--	--	
Other agencies:					
Rescissions...	4	26.7	13.0	13.7	
Deferrals:					
EPA Con- struction Grants 1/..	1	5,000.0	--	20.0	
AEC.....	15	112.6	80.0	-52.0	
NASA.....	3	72.0	70.0	--	
Other.....	20	298.5	103.0	10.0	
Total Rescissions	74	1,782.8	546.8	696.2	
Total Deferrals	150	21,167.6	739.6	1,757.7	
Total Pending Rescissions and Deferrals					
	224	22,950.4	1,286.4	2,453.9	

1/ Includes effect of forthcoming \$4 billion allotment.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

**FOR RELEASE
at 11:00 a.m. (E.D.T.)
Friday, July 16, 1976**

MID-SESSION REVIEW OF THE 1977 BUDGET

TABLE OF CONTENTS

	<u>Page</u>
OVERVIEW-----	1
INTRODUCTION-----	4
PART 1. THE BUDGET OUTLOOK-----	5
Budget Totals-----	5
Short-Range Economic Assumptions-----	7
Budget Receipts-----	9
Budget Outlays-----	12
Budget Authority-----	16
The Budget by Fund Group, and Debt Subject to Limit-----	17
PART 2. LONG-RANGE PROJECTIONS-----	26
Long-Range Economic Assumptions-----	26
Budget Projections-----	28
Projections of Outlays for Open-Ended Programs and Fixed Costs-----	36
Outlays from Balances of Budget Authority Available at the end of Fiscal Year 1977-----	38

LIST OF TABLES

THE BUDGET OUTLOOK	
1. Budget Totals-----	5
2. Short-Range Economic Forecast-----	8
3. Changes in Budget Receipts-----	10
4. Major Changes in Budget Outlays-----	11
5. Major Changes in Budget Authority-----	15
6. Budget Receipts by Major Source, 1975-1977-----	18
7. Budget Outlays by Function, 1975-1977-----	19
8. Budget Outlays by Agency, 1975-1977-----	20
9. Budget Authority by Function, 1975-1977-----	21
10. Budget Authority by Agency, 1975-1977-----	22
11. Budget Receipts and Outlays by Fund Group, 1975-1977-----	23
12. Budget Surplus or Deficit (-) by Fund Group and Type of Transaction, 1975-1977-----	24
13. Debt Subject to Limit, 1975-1977-----	25
LONG-RANGE PROJECTIONS	
14. Long-Range Economic Assumptions-----	27
15. The Fiscal Outlook, 1977-1981-----	29
16. Projected Receipts by Major Source, 1977-1981-----	30
17. Budget Outlays by Function, 1977-1981-----	31
18. Budget Outlays by Agency, 1977-1981-----	32
19. The Composition of Budget Outlays, 1975-1981-----	33
20. Budget Authority by Function, 1977-1981-----	34
21. Budget Authority by Agency, 1977-1981-----	35
22. Projections of Outlays for Open-Ended Programs and Fixed Costs, 1977-1981--	37
23. Estimated Spending from End of Fiscal Year 1977 Balances of Budget Authority: Non-Mandatory Programs-----	39

NOTE: All years referred to are fiscal years unless otherwise noted. The transition quarter (TQ) is between the fiscal year ending on June 30, 1976, and the new fiscal year beginning on October 1, 1976.

Detail may not add to totals due to rounding.

OVERVIEW

In some respects, the figures that follow in this Mid-Session Review simply update the President's budget by setting forth reestimates based on more current data, including a new economic forecast, and by reflecting new or changed Presidential proposals during the intervening 6-month period. However, inasmuch as the figures that follow also reflect legislative actions and inactions since January that foreclose, either partially or completely, proposals reflected in the President's budget, this Mid-Session Review is -- like all updates of a President's budget for any year -- a composite. For the part of a budget year that has expired, the figures are simply historical, reflecting completed interaction of the branches of government. For the part of a budget year that still remains, the figures represent the President's proposals, but only to the extent they have not been so foreclosed.

Fiscal year 1976 is now history. Estimates are still used in this report only because final figures will not be known for a week or two.

The transition quarter and fiscal year 1977 figures that follow are part history and part Presidential proposals. For example, on the receipts side, the President's budget proposed further income tax cuts effective July 1, 1976, which would be offset to a limited extent in fiscal year 1977 by unemployment insurance and social security tax increases effective January 1, 1977. However, at least thus far, the Congress has not acted legislatively on any of these or other substantive tax proposals. The Mid-Session Review takes account of this inaction -- this history since January -- by deferring the effective date for the proposed income tax cuts

from July 1, 1976 to January 1, 1977, and -- in view of the long lead time necessary to put an unemployment tax increase into effect after enactment -- by deferring the effective date on the latter increase from January 1, 1977 to January 1, 1978. As discussed more fully later in this report, this change increases receipts for the transition quarter and fiscal year 1977 from those shown in January.

Another example, but on the outlay side: Among the proposals in the President's budget to restrain the growth in Federal spending were proposed rescissions totalling \$3.3 billion. However, the Congress has since rejected all but \$138 million of these requested savings. This "history" increases the outlays for all three budget periods presented in the Mid-Session Review.

Except for possible reestimates, it is unlikely that the final figures for fiscal year 1976 and the transition quarter will differ materially from those presented in this report. Final results for fiscal year 1977 are far more uncertain. This year, the Congress has moved much more quickly than in the recent past with respect to 1977 appropriations bills and has stated its intention to complete such bills well before the September deadline for its Second Concurrent Budget Resolution. However, at the time this report is required, the Congress has not yet completed action on numerous appropriations and other necessary legislation -- for example, taxes -- that will have a very important effect on the outlays, receipts, and deficits for fiscal year 1977 as well as subsequent years. The disparity between the President's tax cut and spending restraint proposals on the one hand and both the First Concurrent Budget Resolution for 1977 and spending appropriations bills on the other, adds to this uncertainty. It

would appear that a legislative change in the date for the Mid-Session Review to sometime in August would result in far less uncertainty, and would be more helpful in the process leading to the Second Concurrent Resolution in future years.

INTRODUCTION

This report, with respect to the 1977 budget, is transmitted to the Congress pursuant to Section 201 of the Budget and Accounting Act, as amended.

Part 1 contains revised budget summaries for fiscal years 1976, the transition quarter (TQ) and fiscal year 1977. Final data on fiscal year 1976, which ended on June 30, will not be available until later this month. Thus the 1976 estimates in this report are subject to further revision. The estimates for the transition quarter and fiscal year 1977 are necessarily tentative.

Part 2 presents 5-year projections of receipts, outlays, and budget authority. It also shows projected outlays for open-ended programs and fixed costs and outlays from balances of budget authority for non-mandatory programs available at the end of fiscal year 1977.

PART 1. THE BUDGET OUTLOOK

Budget Totals

The 1976 totals are still tentative since final data on spending and receipts in June, the last month in fiscal year 1976, will not be available until later this month. Receipts for 1976 are now estimated to be \$299.4 billion, \$1.9 billion above the budget estimate, and outlays are expected to be \$369.1 billion, \$4.5 billion below the January estimate. If these estimates hold, the deficit for 1976 will be \$69.6 billion, down \$6.4 billion from the January figure.

Table 1

BUDGET TOTALS
(fiscal periods; in billions of dollars)

	<u>Receipts</u>	<u>Outlays</u>	<u>Deficit (-)</u>
1975 Actual.....	281.0	324.6	-43.6
1976 Estimate:			
January.....	297.5	373.5	-76.0
March.....	297.5	374.4	-76.9
Current <u>1/</u>	299.4	369.1	-69.6
TQ Estimate:			
January.....	81.9	98.0	-16.1
March.....	81.9	98.5	-16.6
Current <u>1/</u>	82.1	102.1	-20.0
1976 and TQ Estimates Combined:			
January.....	379.4	471.5	-92.1
March.....	379.4	473.0	-93.5
Current <u>1/</u>	381.6	471.2	-89.6
1977 Estimate:			
January.....	351.3	394.2	-43.0
March.....	351.3	395.8	-44.6
Current <u>1/</u>	352.5	400.0	-47.5

1/ Includes impact of congressional action and inaction through June.

The current estimates for the transition quarter show receipts virtually unchanged at \$82.1 billion and outlays of \$102.1 billion, \$4.1 billion above the January estimate. Part of the outlay increase is due to the transfers to the transition quarter of some spending previously expected to occur in fiscal year 1976. A \$2.5 billion downward revision in estimated tax collections has been offset by congressional inaction on the additional income tax cuts proposed by the President.

Combined estimates of outlays for 1976 and the transition quarter show essentially no change from the January estimates.

The President continues to propose further cuts in income taxes from current levels, offset in part by an increase in unemployment and social security taxes. However, in view of congressional inaction on these proposals thus far, the current estimates reflect a 6-month delay in the income tax cut and a one-year delay in the unemployment tax increase. On this basis, 1977 receipts are estimated at \$352.5 billion.

For 1977, the budget that the President sent to the Congress in January called for outlays of \$394.2 billion. The current estimate, which takes into account reestimates, Administration proposals, and congressional action and inaction through June, is \$400.0 billion.

The current estimates do not include the effect of five 1977 appropriation acts passed by the Congress just before the current recess. Excluding the effect of such rescissions and deferrals as the President may propose, these five acts would increase outlays by \$1.2 billion in 1977 and by \$0.6 billion thereafter. The current estimates also exclude the impact of the public works jobs bill that the President vetoed earlier

this month. This bill would have added \$1.5 billion to 1977 outlays and \$2.5 billion in later years.

Short-Range Economic Assumptions

The economic assumptions through calendar year 1977, presented in Table 2, are based on experience since the budget assumptions were developed for use in the January budget presentation.

The up-dated forecast indicates a stronger economy, with lower unemployment and lower inflation, than projected in January. The rate of unemployment, which was estimated in January to average 7.7% in calendar year 1976 and 6.9% in calendar year 1977, is now expected to average 7.3% in 1976 and 6.4% in 1977. In January, the consumer price index was forecast to increase by 5.9% from December 1975 to December 1976 and by the same amount from December 1976 to December 1977. The current forecasts are 5.0% and 5.7%, for the respective periods. Last January, real growth was projected at 6.2% in calendar year 1976 and 5.7% in calendar year 1977. The corresponding figures in the current forecast increase to 6.8% for 1976 and remain at 5.7% for 1977.

Table 2

SHORT-RANGE ECONOMIC FORECAST
(calendar years; dollar amounts in billions)

	Actual		Forecast	
	1974	1975	1976	1977
Gross national product				
Current dollars:				
Amount.....	1,407	1,499	1,687	1,890
Percent change.....	7.7	6.5	12.5	12.0
Constant (1972) dollars:				
Amount.....	1,211	1,186	1,267	1,339
Percent change.....	-1.8	-2.0	6.8	5.7
Incomes (current dollars):				
Personal income.....	1,155	1,246	1,381	1,531
Wages and salaries.....	763	802	889	992
Corporate profits.....	132	117	152	178
Prices (percent change)				
GNP deflator:				
Year over year.....	9.7	8.8	5.3	6.0
Fourth quarter over fourth quarter.....	11.4	6.5	5.1	6.2
CPI:				
Year over year.....	11.0	9.1	5.7	5.6
December over December.....	12.2	7.0	5.0	5.7
Unemployment rates (percent)				
Total.....	5.6	8.5	7.3	6.4
Insured <u>1/</u>	3.8	7.2	5.9	5.3
Federal pay raise, October (percent).....	5.5	5.0	4.7	7.5
Interest rate, 91-day Treasury bills (percent) <u>2/</u>	7.9	5.8	5.2	5.4

1/ Insured unemployment as a percentage of covered employment; includes unemployed workers receiving extended benefits.

2/ Because of the difficulty of forecasting interest rates, the budget has generally followed the convention of assuming that interest rates remain constant at the level prevailing at the time that interest outlays are estimated. The rates shown above for calendar year 1977 were those prevailing at the end of June 1976. Actual rates in 1976 prior to June averaged less than those at the end of June. For this reason, the average rate for 1976 is less than the rate shown for 1977.

Budget Receipts

Receipts in 1976 are now estimated to be \$299.4 billion, compared with the January estimate of \$297.5 billion. For the transition quarter, receipts have been revised upward from \$81.9 billion to \$82.1 billion. Receipts for 1977, estimated at \$351.3 billion in January, are now estimated at \$352.5 billion. Because the Congress has failed to act on the additional income tax reductions proposed by the President, these estimates assume that the proposed reductions will go into effect January 1, 1977, rather than July 1, 1976, as originally proposed. The Congress has extended withholding rates in effect during the first half of calendar year 1976 through September 30, 1976. The temporary tax provisions in effect during the first half of calendar year 1976 are assumed to be extended through December 1976. The estimates also assume delay in the proposed unemployment tax increases from January 1977 to January 1978.

The receipts estimates are based on the economic assumptions presented in Table 2 and are shown by major source in Table 6.

Changes in budget receipts.--Receipts in 1976 have been revised upward by \$1.9 billion. Reestimates, primarily of corporate income taxes, have increased 1976 receipts by \$2.1 billion, while inaction on a proposal to write off silver certificates has decreased receipts by \$0.2 billion. For the transition quarter, reestimates of tax payments and revised economic assumptions have reduced receipts by \$2.5 billion. More than offsetting this decrease, however, is a delay in enactment of the President's proposed income tax cuts, which increases receipts in the transition quarter by \$2.7 billion.

Table 3

CHANGES IN BUDGET RECEIPTS
(fiscal periods; in billions of dollars)

	<u>1976</u>	<u>TQ</u>	<u>1977</u>
January budget estimate.....	297.5	81.9	351.3
Subsequent changes:			
Reestimates and revised economic assumptions.	+2.1	-2.5	-0.2
Delay ¹ in President's proposed income tax cuts.....	---	+2.7	+3.3
Delay ² in unemployment tax increases.....	---	---	-2.1
Other congressional inaction.....	<u>-0.2</u>	<u>-*</u>	<u>+0.2</u>
Current estimate.....	299.4	82.1	352.5

¹ From July 1, 1976 to January 1, 1977.

² From January 1, 1977 to January 1, 1978.

* Less than \$50 million.

In 1977, receipts are \$1.2 billion higher than estimated in January. Congressional inaction on the President's proposed tax cuts increases 1977 receipts by \$3.3 billion. The failure of the Congress to enact the President's proposal to increase unemployment insurance taxes reduces 1977 receipts by \$2.1 billion, while an assumption that the Congress will not act on a proposal to write off silver certificates until 1977 reduces receipts by \$0.2 billion in 1976 and raises them an equal amount in 1977.

Table 4

MAJOR CHANGES IN BUDGET OUTLAYS
(fiscal periods; in billions of dollars)

	<u>1976</u>	<u>TQ</u>	<u>1977</u>
January budget estimate.....	373.5	98.0	394.2
Changes included in March update:			
Congressional rejection of rescissions and overturn of deferrals.....	0.3	0.2	1.1
Medicare.....	0.3	0.2	0.7
Federal unemployment benefits and allowances.....	0.5	-0.1	---
Interest on the public debt.....	-0.3	---	---
Labor-HEW Appropriations Bill, 1976.....	0.3	0.1	0.3
Highway trust fund.....	-0.2	---	-0.1
Allowance for contingencies.....	-0.2	-0.2	-0.8
All other changes included in March update.....	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>
Total budget outlays, March update.....	374.4	98.5	395.8
Subsequent changes:			
Rents and royalties on the Outer Continental Shelf....	0.3	---	2.0
Unemployment compensation.....	-0.4	*	-1.4
Interest on the public debt.....	-0.2	-0.3	-1.1
Energy programs.....	-0.1	0.1	1.1
Foreign economic assistance, including P.L. 480.....	-1.2	0.6	0.4
Military assistance.....	-1.2	1.0	0.1
Medicare.....	-0.1	0.1	0.8
Veterans programs.....	-0.6	*	0.6
Department of Defense.....	-0.8	-*	0.4
Housing and community development programs (HUD).....	-*	0.7	0.4
Earned income credit.....	-0.3	0.2	0.6
Agricultural price support and related programs.....	-0.4	0.3	0.1
Allowance for contingencies.....	---	---	-0.7
All other subsequent changes.....	<u>-0.4</u>	<u>1.0</u>	<u>0.9</u>
Current estimate.....	<u>369.1</u>	<u>102.1</u>	<u>400.0</u>

* Less than \$50 million.

Budget Outlays

Table 4 shows the major changes in outlays since January.

Based on 11 months of actual data, outlays in 1976 are now estimated at \$369.1 billion, \$4.5 billion below the January estimate. Outlays for 1976 totalled \$335 billion through May. The current estimate of \$369.1 billion anticipates outlays of \$34.1 billion in June. Final figures are expected to be available by July 26. Outlays for the TQ are currently estimated at \$102.1 billion, \$4.1 billion above the January estimate.

In the case of several programs -- notably military assistance, P.L. 480, agricultural price supports, and the earned income credit -- outlays previously expected to occur in 1976 are now expected to occur in the TQ or in 1977. The late enactment of the Foreign Assistance Appropriations Act for 1976 has also caused a shift in spending from 1976 to the TQ and 1977. Outlays for interest on the public debt and the unemployment trust fund have been revised downward for both 1976 and the TQ.

Outlays for 1977 are currently estimated at \$400.0 billion, \$5.7 billion above the January estimate. Outlays are expected to be \$2 billion higher in 1977 because of revised estimates for rents and royalties on the Outer Continental Shelf. Uncertainty about scheduled sales as a result of court litigation and other delays has caused a downward reestimate in these receipts, which are treated as an offset to outlays. Outlays for medicare have been revised upward by \$1.5 billion since January and \$0.8 billion since March. These increases reflect congressional inaction on the cost-sharing reforms proposed by the Administration and revised estimates. Outlays for energy are \$1.1 billion above the budget estimate. Most of this increase is for the new oil reserve program established by the

Energy Policy and Conservation Act, which was covered in large part by the allowance for contingencies. Veterans benefits are also up (\$0.6 billion), largely for cost-of-living increases in compensation and pension benefits.

Outlays for the Department of Defense and military assistance are up by \$0.5 billion in 1977, largely as a result of proposed increases for repairing the Belknap and additions for shipbuilding and the Minuteman III. The Congress has failed -- so far -- to act upon legislative proposals for restraining defense costs. These initiatives would save over \$3 billion in defense spending in 1977 and \$23 billion over the next 5 years. About half of these savings can be achieved by administrative action, and the steps necessary to achieve them are being taken. The remaining initiatives require congressional action. If the Congress does not pass the necessary legislation, additional funds will be required for defense.

The increases in total outlays that have occurred to date are partially offset by elimination of the allowance for contingencies and by decreases for unemployment benefits and interest.

Outlays for unemployment compensation have been revised downward (\$1.4 billion in 1977), largely as a result of experience to date and expected lower unemployment rates. Outlays for interest on the public debt have also been revised downward (\$1.3 billion since January) because of somewhat lower interest rates and the decreased deficit in 1976.

Altogether, completed congressional action has increased 1977 outlays by approximately \$3 billion since January and \$1.5 billion since March. Since these estimates do not include congressional action on appropriations for 1977, most of the congressional increase reflects congressional action

on 1976 appropriations, rejection of rescissions and deferrals, and inaction on proposed legislation to reduce outlays. These estimates assume that the earned income credit will be extended through calendar year 1976.

Additional detail on outlays by agency and function is shown in Tables 7 and 8.

Table 5

MAJOR CHANGES IN BUDGET AUTHORITY
(fiscal periods; in billions of dollars)

	<u>1976</u>	<u>TQ</u>	<u>1977</u>
January budget estimate.....	408.4	88.1	433.4
Changes included in March update:			
Congressional rejection of proposed rescissions.....	2.2	0.3	---
Foreign military sales program.....	-1.6	0.4	-1.6
Labor-HEW Appropriations Bill, 1976.....	0.9	*	---
Interest on the public debt.....	-0.3	---	---
Allowances.....	-0.2	-0.2	-1.0
All other changes included in March update.....	<u>0.5</u>	<u>0.3</u>	<u>0.4</u>
Total budget authority, March update.....	409.8	88.8	431.2
Subsequent changes:			
Federal-Aid Highway Act of 1976.....	1.9	3.3	-3.3
Supplemental Railroad Appropriations, 1976.....	0.1	0.7	-1.1
Unemployment compensation.....	0.2	*	-1.1
Interest on the public debt.....	-0.2	-0.3	-1.1
Allowances.....	---	---	-0.8
Export-Import Bank.....	---	---	-0.7
Rents and royalties on the Outer Continental Shelf....	0.3	---	2.0
Department of Defense.....	-0.5	-*	1.7
Energy programs.....	-0.1	*	1.6
Veterans programs.....	-0.2	0.1	0.9
Military assistance.....	-0.9	-0.1	0.1
Foreign economic assistance.....	-0.7	0.4	0.3
Earned income credit.....	-0.3	0.2	0.6
All other subsequent changes.....	<u>0.4</u>	<u>0.7</u>	<u>1.2</u>
Current estimate.....	<u>409.9</u>	<u>93.9</u>	<u>431.4</u>

* Less than \$50 million.

Budget Authority

Table 5 shows the major changes in budget authority since January.

In comparison to the January estimates, total budget authority has increased by \$1.5 billion in 1976, \$5.8 billion in the TQ, and decreased by \$2.0 billion in 1977. A major portion of the change in all periods arises from congressional action to shift funds for highways and loans to ConRail out of 1977 and into 1976 and the TQ. Together, the Federal-Aid Highway Act of 1976 and the Supplemental Railroad Appropriations for 1976 have increased budget authority by \$2 billion in 1976, \$4 billion in the TQ, and decreased budget authority by \$4.5 billion in 1977. Congressional action on the unemployment tax increases proposed by the President is also the major reason for the \$1.1 billion decrease in 1977 budget authority for unemployment compensation. The elimination of the allowance for contingencies and reestimates for foreign military sales, interest on the public debt, and the Export-Import Bank account for the other major decreases since January.

The decreases in total 1977 budget authority are partially offset by increases in other areas. The downward reestimate in offshore oil receipts increases budget authority by \$2.0 billion. Budget authority for the Department of Defense is up by \$1.7 billion since January, due to the proposed increases for repair to the Belknap, shipbuilding, and the Minuteman III. Other increases include energy, particularly for the strategic oil reserves which was covered in large part by the allowance for contingencies, and proposed cost-of-living increases for veterans compensation and pensions.

The Budget by Fund Group, and Debt Subject to Limit

Tables 11 and 12 contain figures on the 1975-1977 budget totals by fund group. Most of the changes in the current estimates for 1976-1977 have occurred in Federal funds.

Since January, estimates of Federal funds receipts for 1976 have increased by \$2.2 billion, while outlays have decreased by \$4.1 billion, resulting in a \$6.3 billion decrease in the anticipated 1976 Federal funds deficit. On the other hand, the estimated size of the Federal funds deficit for the TQ and 1977 has increased. Since January, the estimated Federal funds deficit in the TQ has increased by \$3.9 billion, largely as a result of higher outlays. The estimated Federal funds deficit for 1977 has increased by \$3.5 billion since January, with receipts up by \$3.2 billion and outlays up by \$6.7 billion.

Table 13 contains data on debt subject to limit. In comparison to January, debt subject to limit is now estimated to be lower at the end of 1976 and the TQ, and higher at the end of 1977.

Table 6

RECEIPTS BY MAJOR SOURCE, 1975-1977
(fiscal periods; in billions of dollars)

	1975	1976 Estimate			TQ Estimate			1977 Estimate		
	Actual	January	March	Current ¹	January	March	Current ¹	January	March	Current ¹
Individual income taxes.....	122.4	130.8	130.8	131.2	40.0	40.0	39.7	153.6	153.7	152.6
Corporation income taxes.....	40.6	40.1	40.1	41.4	8.4	8.4	8.9	49.5	49.4	53.1
Social insurance taxes and contributions.....	86.4	92.6	92.6	92.6	25.2	25.2	25.1	113.1	113.1	111.0
Excise taxes.....	16.6	16.9	16.9	16.9	4.4	4.4	4.4	17.8	17.8	17.8
Estate and gift taxes.....	4.6	5.1	5.1	5.2	1.4	1.4	1.4	5.8	5.7	5.8
Customs duties.....	3.7	3.8	3.8	4.0	1.0	1.0	1.1	4.3	4.3	4.6
Miscellaneous receipts.....	<u>6.7</u>	<u>8.3</u>	<u>8.3</u>	<u>8.1</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>7.2</u>	<u>7.2</u>	<u>7.4</u>
Total budget receipts....	281.0	297.5	297.5	299.4	81.9	81.9	82.1	351.3	351.3	352.5

¹ Includes impact of congressional action and inaction through June.

Table 7
 BUDGET OUTLAYS BY FUNCTION, 1975-1977
 (fiscal periods; in billions of dollars)

	1975 Actual	1976 Estimate			TQ Estimate			1977 Estimate		
		January	March	Current 1/	January	March	Current 1/	January	March	Current 1/
National defense.....	86.6	92.8	92.8	90.6	25.0	25.0	26.0	101.1	101.1	101.6
International affairs.....	4.4	5.7	5.7	4.5	1.3	1.4	2.0	6.8	6.9	7.1
General science, space, and technology.....	4.0	4.3	4.3	4.4	1.2	1.2	1.2	4.5	4.5	4.5
Natural resources, environment, and energy.....	9.6	11.8	11.8	11.7	3.3	3.3	3.9	13.8	13.8	15.1
Agriculture.....	1.7	2.9	2.9	2.5	0.7	0.7	0.9	1.7	1.9	1.8
Commerce and transportation.....	16.0	17.8	17.6	17.9	4.8	4.8	5.3	16.5	16.4	16.4
Community and regional development.....	4.4	5.8	5.9	5.5	1.5	1.6	1.7	5.5	5.7	6.0
Education, training, employment, and social services.....	15.2	18.9	19.2	18.7	4.4	4.7	4.9	16.6	17.6	18.4
Health.....	27.6	32.1	32.7	33.4	8.3	8.6	8.8	34.4	35.5	36.5
Income security.....	108.6	128.5	129.0	128.0	32.7	32.9	33.3	137.1	137.1	136.2
Veterans benefits and services.....	16.6	19.0	19.0	18.4	4.4	4.4	4.4	17.2	17.2	17.8
Law enforcement and justice.....	2.9	3.4	3.4	3.4	0.9	0.9	0.9	3.4	3.4	3.4
General government.....	3.1	3.5	3.5	3.3	1.0	1.0	0.9	3.4	3.4	3.5
Revenue sharing and general purpose fiscal assistance.....	7.0	7.2	7.2	7.2	2.0	2.0	2.0	7.4	7.4	7.4
Interest.....	31.0	34.8	34.5	34.7	9.8	9.8	9.5	41.3	41.3	40.2
Allowances:										
Civilian agency pay raises.....	---	---	---	---	---	---	---	0.8	0.8	0.8
Contingencies.....	---	0.2	---	---	0.2	---	---	1.5	0.7	---
Undistributed offsetting receipts:										
Employer share, employee retirement.....	-4.0	-4.2	-4.2	-4.2	-1.0	-1.0	-1.0	-4.5	-4.5	-4.5
Interest received by trust funds.....	-7.7	-8.0	-8.0	-8.1	-2.1	-2.1	-2.1	-8.4	-8.4	-8.3
Rents and royalties on the Outer Continental Shelf.....	-2.4	-3.0	-3.0	-2.7	-0.5	-0.5	-0.5	-6.0	-6.0	-4.0
Total budget outlays.....	324.6	373.5	374.4	369.1	98.0	98.5	102.1	394.2	395.8	400.0

1/ Includes impact of congressional action and inaction through June.

Table 8

BUDGET OUTLAYS BY AGENCY, 1975-1977
(fiscal periods; in billions of dollars)

	1975	1976 Estimate			TQ Estimate			1977 Estimate		
	Actual	January	March	Current 1/	January	March	Current 1/	January	March	Current 1/
Legislative branch.....	0.7	0.9	0.9	0.9	0.2	0.2	0.2	1.0	1.0	1.0
The judiciary.....	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.4	0.4	0.4
Executive Office of the President.....	0.1	0.1	0.1	0.1	*	*	*	0.1	0.1	0.1
Funds appropriated to the President.....	4.0	5.1	5.2	3.5	0.8	0.8	2.2	4.0	4.0	4.5
Agriculture.....	9.7	14.2	14.3	13.4	3.3	3.3	4.1	10.8	11.1	11.1
Commerce.....	1.6	2.0	2.0	2.0	0.6	0.6	0.5	2.2	2.2	2.2
Defense-Military (including pay raises).....	85.0	89.8	89.7	89.0	24.5	24.5	24.5	99.6	99.6	100.0
Defense-Civil.....	2.1	2.2	2.2	2.1	0.7	0.7	0.7	2.2	2.2	2.2
Health, Education, and Welfare.....	112.4	127.7	128.6	129.2	33.7	34.3	34.5	140.1	142.2	143.5
Housing and Urban Development.....	7.5	7.2	7.2	7.2	1.9	2.0	2.6	7.2	7.2	7.5
Interior.....	2.1	2.6	2.6	2.5	0.8	0.8	0.9	2.6	2.7	2.7
Justice.....	2.1	2.3	2.3	2.3	0.6	0.6	0.6	2.2	2.2	2.3
Labor.....	17.6	26.4	26.9	26.0	5.8	5.9	6.1	22.1	22.1	21.1
State.....	0.8	1.2	1.2	1.1	0.4	0.4	0.4	1.0	1.0	1.1
Transportation.....	9.2	12.3	12.1	12.0	3.4	3.4	3.4	12.9	12.8	12.8
Treasury.....	41.2	45.3	45.0	44.7	12.2	12.2	12.2	51.4	51.4	50.9
Energy Research and Development Administration.....	3.2	4.1	4.1	3.8	1.2	1.2	1.2	5.3	5.3	5.3
Environmental Protection Agency.....	2.5	3.2	3.2	3.3	0.8	0.8	1.2	4.5	4.5	4.6
General Services Administration.....	-0.6	0.2	0.2	-*	*	*	*	-0.6	-0.6	-0.6
National Aeronautics and Space Administration.....	3.3	3.5	3.5	3.7	0.9	0.9	0.9	3.7	3.7	3.7
Veterans Administration.....	16.6	19.0	19.0	18.4	4.4	4.4	4.4	17.2	17.2	17.8
Other independent agencies.....	17.3	19.0	19.0	18.6	5.1	5.1	5.1	21.3	21.3	21.9
Allowances.....	---	0.2	---	---	0.2	---	---	2.3	1.5	0.8
Undistributed offsetting receipts:										
Employer share, employee retirement.....	-4.0	-4.2	-4.2	-4.2	-1.0	-1.0	-1.0	-4.5	-4.5	-4.5
Interest received by trust funds.....	-7.7	-8.0	-8.0	-8.1	-2.1	-2.1	-2.1	-8.4	-8.4	-8.3
Rents and royalties on the Outer Continental Shelf.....	-2.4	-3.0	-3.0	-2.7	-0.5	-0.5	-0.5	-6.0	-6.0	-4.0
Total budget outlays.....	324.6	373.5	374.4	369.1	98.0	98.5	102.1	394.2	395.8	400.0

1/ Includes impact of congressional action and inaction through June.

* \$50 million or less.

Table 9

BUDGET AUTHORITY BY FUNCTION, 1975-1977
(fiscal periods; in billions of dollars)

	1975	1976 Estimate			TQ Estimate			1977 Estimate		
	Actual	January	March	Current 1/	January	March	Current 1/	January	March	Current 1/
National defense.....	91.9	102.3	100.7	99.3	23.4	23.9	23.8	114.9	113.3	115.1
International affairs.....	4.4	6.4	6.5	5.8	0.9	0.9	1.3	9.7	9.7	9.2
General science, space, and technology.....	4.0	4.4	4.4	4.4	1.1	1.1	1.1	4.6	4.6	4.6
Natural resources, environment, and energy.....	16.5	19.2	19.2	19.2	2.4	2.4	2.4	9.7	9.7	11.5
Agriculture.....	5.9	4.1	4.1	4.1	0.3	0.3	0.3	2.3	2.3	2.3
Commerce and transportation.....	32.4	18.6	18.7	20.7	2.4	2.4	6.5	17.9	17.9	13.7
Community and regional development.....	5.4	4.8	5.7	5.7	0.5	0.6	0.6	5.8	5.9	5.7
Education, training, employment, and social services.....	15.5	19.7	21.2	21.2	4.9	5.2	5.3	15.9	16.0	16.9
Health.....	29.9	32.3	33.4	33.7	8.6	8.6	8.7	38.0	38.0	38.4
Income security.....	159.3	140.3	140.3	140.1	28.8	28.8	29.4	157.7	157.9	157.3
Veterans benefits and services.....	16.7	19.9	19.9	19.7	4.5	4.5	4.6	17.7	17.7	18.5
Law enforcement and justice.....	3.0	3.3	3.3	3.3	0.8	0.8	0.9	3.3	3.3	3.3
General government.....	3.1	3.5	3.6	3.5	0.9	0.9	0.9	3.5	3.5	3.5
Revenue sharing and general purpose fiscal assistance.....	7.1	9.5	9.5	9.6	2.0	2.0	2.0	7.3	7.3	7.3
Interest.....	31.0	34.8	34.5	34.7	9.8	9.8	9.5	41.3	41.3	40.2
Allowances:										
Civilian agency pay raises.....	---	---	---	---	---	---	---	0.8	0.8	0.8
Contingencies.....	---	0.2	---	---	0.2	---	---	1.8	0.9	---
Undistributed offsetting receipts:										
Employer share, employee retirement.....	-4.0	-4.2	-4.2	-4.2	-1.0	-1.0	-1.0	-4.5	-4.5	-4.5
Interest received by trust funds.....	-7.7	-8.0	-8.0	-8.1	-2.1	-2.1	-2.1	-8.4	-8.4	-8.3
Rents and royalties on the Outer Continental Shelf.....	-2.4	-3.0	-3.0	-2.7	-0.5	-0.5	-0.5	-6.0	-6.0	-4.0
Total budget authority.....	412.1	408.4	409.8	409.9	88.1	88.8	93.9	433.4	431.2	431.4

1/ Includes impact of congressional action and inaction through June.

Table 10

BUDGET AUTHORITY BY AGENCY, 1975-1977
(fiscal periods; in billions of dollars)

	1975	1976 Estimate			TQ Estimate			1977 Estimate		
	Actual	January	March	Current 1/	January	March	Current 1/	January	March	Current 1/
Legislative branch	0.8	0.9	0.9	0.9	0.2	0.2	0.2	0.9	0.9	0.9
The judiciary.....	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.4	0.4	0.4
Executive Office of the President.....	0.1	0.1	0.1	0.1	*	*	*	0.1	0.1	0.1
Funds appropriated to the President.....	8.7	9.1	7.5	6.1	0.2	0.8	1.1	6.4	4.8	5.2
Agriculture.....	15.2	14.7	14.9	15.0	2.4	2.4	2.9	11.8	11.8	12.0
Commerce.....	1.8	2.3	2.3	2.3	0.5	0.5	0.5	1.7	1.7	1.6
Defense-Military (including pay raises).....	85.8	96.2	96.2	95.7	23.0	23.0	23.0	111.2	111.3	113.0
Defense-Civil.....	1.8	2.1	2.1	2.2	0.7	0.7	0.7	2.2	2.2	2.2
Health, Education, and Welfare.....	116.7	125.3	127.7	128.4	34.5	34.8	35.0	145.0	145.2	145.8
Housing and Urban Development.....	53.9	27.7	28.3	28.1	0.4	0.4	0.5	21.7	21.7	21.8
Interior.....	3.8	2.5	2.5	2.5	0.8	0.8	0.8	2.6	2.7	2.7
Justice.....	2.1	2.2	2.2	2.2	0.6	0.6	0.6	2.1	2.1	2.1
Labor.....	19.8	20.6	20.6	20.4	3.2	3.2	3.2	20.7	20.9	20.3
State.....	1.2	1.0	0.9	0.9	0.4	0.4	0.4	1.1	1.1	1.2
Transportation.....	19.1	8.3	8.4	10.5	1.0	1.0	4.4	11.7	11.7	8.8
Treasury.....	41.4	47.6	47.3	47.0	12.2	12.2	12.1	51.4	51.4	50.9
Energy Research and Development Administration.....	3.5	5.0	5.0	4.5	1.3	1.3	1.3	6.0	6.0	6.7
Environmental Protection Agency.....	8.5	0.8	0.8	0.8	0.2	0.2	0.2	0.7	0.7	0.7
General Services Administration.....	-0.7	0.2	0.2	0.2	*	*	*	-0.6	-0.6	-0.6
National Aeronautics and Space Administration.....	3.2	3.6	3.6	3.6	0.9	0.9	0.9	3.7	3.7	3.7
Veterans Administration.....	16.7	19.9	19.9	19.6	4.5	4.5	4.6	17.7	17.7	18.5
Other independent agencies.....	22.4	33.2	33.2	33.6	4.4	4.4	5.0	30.9	30.8	29.2
Allowances.....	---	0.2	---	---	0.2	---	---	2.6	1.6	0.8
Undistributed offsetting receipts:										
Employer share, employee retirement.....	-4.0	-4.2	-4.2	-4.2	-1.0	-1.0	-1.0	-4.5	-4.5	-4.5
Interest received by trust funds.....	-7.7	-8.0	-8.0	-8.1	-2.1	-2.1	-2.1	-8.4	-8.4	-8.3
Rents and royalties on the Outer Continental Shelf.....	-2.4	-3.0	-3.0	-2.7	-0.5	-0.5	-0.5	-6.0	-6.0	-4.0
Total budget authority.....	412.1	408.4	409.8	409.9	88.1	88.8	93.9	433.4	431.2	431.4

1/ Includes impact of congressional action and inaction through June.

* \$50 million or less.

Table 11

BUDGET RECEIPTS AND OUTLAYS BY FUND GROUP, 1975-1977
(fiscal periods; in billions of dollars)

	1975 Actual	1976 Estimate			TQ Estimate			1977 Estimate		
		January	March	Current 1/	January	March	Current 1/	January	March	Current 1/
Receipts										
Federal funds.....	187.5	198.4	198.4	200.5	54.8	54.8	55.0	230.8	230.7	234.0
Trust funds.....	118.6	134.8	134.8	133.9	33.8	33.8	33.9	157.7	157.8	155.6
Intragovernmental transactions.....	<u>-25.1</u>	<u>-35.6</u>	<u>-35.6</u>	<u>-35.0</u>	<u>-6.6</u>	<u>-6.6</u>	<u>-6.8</u>	<u>-37.2</u>	<u>-37.2</u>	<u>-37.2</u>
Total.....	<u>281.0</u>	<u>297.5</u>	<u>297.5</u>	<u>299.4</u>	<u>81.9</u>	<u>81.9</u>	<u>82.1</u>	<u>351.3</u>	<u>351.3</u>	<u>352.5</u>
Outlays										
Federal funds.....	238.5	276.9	277.7	272.8	69.8	70.1	74.0	286.2	287.2	292.9
Trust funds.....	111.2	132.2	132.3	131.3	34.9	35.1	35.0	145.2	145.8	144.2
Intragovernmental transactions.....	<u>-25.1</u>	<u>-35.6</u>	<u>-35.6</u>	<u>-35.0</u>	<u>-6.6</u>	<u>-6.6</u>	<u>-6.8</u>	<u>-37.2</u>	<u>-37.2</u>	<u>-37.2</u>
Total.....	<u>324.6</u>	<u>373.5</u>	<u>374.4</u>	<u>369.1</u>	<u>98.0</u>	<u>98.5</u>	<u>102.1</u>	<u>394.2</u>	<u>395.8</u>	<u>400.0</u>
Surplus or Deficit (-)										
Federal funds.....	-51.0	-78.5	-79.3	-72.3	-15.0	-15.3	-18.9	-55.5	-56.6	-59.0
Trust funds.....	<u>7.4</u>	<u>2.5</u>	<u>2.4</u>	<u>2.6</u>	<u>-1.1</u>	<u>-1.3</u>	<u>-1.0</u>	<u>12.5</u>	<u>12.0</u>	<u>11.4</u>
Total.....	<u>-43.6</u>	<u>-76.0</u>	<u>-76.9</u>	<u>-69.6</u>	<u>-16.1</u>	<u>-16.6</u>	<u>-20.0</u>	<u>-43.0</u>	<u>-44.6</u>	<u>-47.5</u>

1/ Includes impact of congressional action and inaction through June.

Table 12

BUDGET SURPLUS OR DEFICIT (-) BY FUND GROUP AND TYPE OF TRANSACTION, 1975-1977
(fiscal periods; in billions of dollars)

	1975	1976 Estimate			TQ Estimate			1977 Estimate		
	Actual	January	March	Current 1/	January	March	Current 1/	January	March	Current 1/
<u>Federal Funds</u>										
Transactions with the public.....	-32.4	-49.6	-50.4	-43.9	-10.1	-10.4	-13.8	-25.1	-26.2	-28.6
Transactions with trust funds.....	-18.6	-28.9	-28.9	-28.4	-4.9	-4.9	-5.1	-30.3	-30.3	-30.3
Total.....	-51.0	-78.5	-79.3	-72.3	-15.0	-15.3	-18.9	-55.5	-56.6	-59.0
<u>Trust Funds</u>										
Transactions with the public.....	-11.2	-26.4	-26.5	-25.8	-6.0	-6.3	-6.2	-17.8	-18.3	-18.9
Transactions with Federal funds.....	18.6	28.9	28.9	28.4	4.9	4.9	5.1	30.3	30.3	30.3
Total.....	7.4	2.5	2.4	2.6	-1.1	-1.3	-1.0	12.5	12.0	11.4
<u>Budget Totals</u>										
Federal funds.....	-51.0	-78.5	-79.3	-72.3	-15.0	-15.3	-18.9	-55.5	-56.6	-59.0
Trust funds.....	7.4	2.5	2.4	2.6	-1.1	-1.3	-1.0	12.5	12.0	11.4
Total.....	-43.6	-76.0	-76.9	-69.6	-16.1	-16.6	-20.0	-43.0	-44.6	-47.5

1/ Includes impact of congressional action and inaction through June.

Table 13
DEBT SUBJECT TO LIMIT
(fiscal periods; in billions of dollars)

	1975	1976 Estimate		TQ Estimate		1977 Estimate	
	<u>Actual</u>	<u>January</u>	<u>Current 1/</u>	<u>January</u>	<u>Current 1/</u>	<u>January</u>	<u>Current 1/</u>
Unified budget deficit.....	43.6	76.0	69.6	16.1	20.0	43.0	47.5
Portion of budget deficit attributable to trust funds surplus or deficit (-).....	<u>7.4</u>	<u>2.5</u>	<u>2.6</u>	<u>-1.1</u>	<u>-1.0</u>	<u>12.5</u>	<u>11.4</u>
Federal funds deficit.....	51.0	78.6	72.3	15.0	18.9	55.5	59.0
Effect of off-budget agencies on debt subject to limit.....	<u>9.5</u>	<u>9.3</u>	<u>9.2</u>	<u>4.0</u>	<u>4.8</u>	<u>11.1</u>	<u>11.4</u>
Total to be financed.....	60.6	87.9	81.4	19.0	23.7	66.5	70.3
Means of financing other than borrowing, and other adjustments....	<u>-2.3</u>	<u>2.1</u>	<u>5.9</u>	<u>-0.1</u>	<u>-6.1</u>	<u>0.8</u>	<u>3.2</u>
Change in debt subject to limit.....	<u>58.2</u>	<u>90.0</u>	<u>87.3</u>	<u>18.9</u>	<u>17.6</u>	<u>67.3</u>	<u>73.5</u>
Debt subject to limit, beginning of fiscal period 2/.....	476.0	534.2	534.2	624.2	621.6	643.1	639.2
Anticipated debt subject to limit, end of fiscal period 2/.....	534.2	624.2	621.6	643.1	639.2	710.4	712.7

1/ Includes impact of congressional action and inaction through June.

2/ The statutory debt limit is permanently established at \$400 billion. Public Law 94-232 increased the temporary debt limit to \$627 billion through June 30, 1976. Public Law 94-344 further increased the temporary limit to \$636 billion through September 30, 1976, to \$682 billion through March 31, 1977, and to \$700 billion through September 30, 1977. Based on the estimates shown, legislation is needed to change the temporary limits.

PART 2. LONG-RANGE PROJECTIONS

The 1977 budget presented projections of budget authority and outlays through 1981 by function and major agency. In addition, the budget provided detailed economic assumptions on which the projections were based. This section presents revisions of the long-range projections, along with projected outlays for open-ended programs and fixed costs and outlays for balances of budget authority for non-mandatory programs available at the end of fiscal year 1977.

Long-Range Economic Assumptions

Because of the difficulty of forecasting exogenous events, it is not possible to provide accurate economic forecasts for the years beyond 1977. As a practical matter, the 1977 forecasts also involve a large degree of uncertainty. Therefore, the economic data in Table 14 for the years 1978-1981 are derived using a simple mechanical projection based on the 1977 forecast.

The projection assumes that real economic growth proceeds at a 6.5% rate from the first quarter of 1978 until the third quarter of 1979, when unemployment falls below 5.0%. At that point, the real growth rate is gradually slowed until it reaches a level slightly in excess of the rate of growth of full capacity GNP during 1980. It is further assumed that this growth path is consistent with a continual deceleration in the rate of inflation. Historical relationships were used to derive the projections for the other economic variables shown in Table 14.

There is no intent to imply that the economy will follow this exact path, nor that it is an ideal path. The economy may grow less rapidly in

some periods and more rapidly in others. The purpose of presenting these assumptions is solely to provide a base for projecting the budget.

Table 14

LONG-RANGE ECONOMIC ASSUMPTIONS
(calendar years; dollar amounts in billions)

	Assumed for Purposes of Budget Projections			
	1978	1979	1980	1981
Gross national product				
Current dollars:				
Amount.....	2,121	2,370	2,575	2,747
Percent change.....	12.2	11.7	8.6	6.7
Constant (1972) dollars:				
Amount.....	1,418	1,508	1,575	1,634
Percent change.....	5.9	6.3	4.4	3.7
Incomes (current dollars):				
Personal income.....	1,720	1,920	2,083	2,220
Wages and salaries.....	1,121	1,252	1,361	1,452
Corporate profits.....	201	223	242	258
Prices (percent change)				
GNP deflator:				
Year over year.....	6.0	5.1	4.0	2.9
Fourth quarter over fourth quarter.....	5.7	4.7	3.6	2.5
CPI:				
Year over year.....	5.6	5.1	4.1	2.9
December over December.....	5.4	4.7	3.5	2.4
Unemployment rates (percent):				
Total.....	5.7	5.1	4.8	4.7
Insured <u>1</u> /.....	4.1	3.2	3.2	3.2
Federal pay raise, October (percent).....	7.0	6.5	5.75	5.0
Interest rate, 91-day Treasury bills (percent) <u>2</u> /.....	5.4	5.4	5.4	5.4

1/ Insured unemployment as a percentage of covered employment; includes unemployed workers receiving extended benefits.

2/ Because of the difficulty of forecasting interest rates, the budget has generally followed the convention of assuming that interest rates remain constant at the level prevailing at the time that interest outlays are estimated. The rates shown above for calendar years 1978 through 1981 were those prevailing at the end of June.

Budget Projections

The revisions in budget outlays, budget authority, and receipts through 1981 reflect:

- the out-year effects of the changed economic forecast for 1977;
- program experience and Presidential proposals since January; and
- congressional action and inaction through June 1976.

The receipts projections shown reflect the economic assumptions presented in Table 14, and assume current tax law as modified by the President's tax proposals. These proposals are discussed in Part 1 of this report.

The outlay and budget authority estimates indicate the degree to which resources would be committed by the continuation of existing and Presidentially-proposed programs at the levels currently recommended for 1977. The 1977 estimates reflect the impact of congressional action and inaction through June. However, an assumption is made generally that where the Congress has changed program levels from those recommended by the President, that change will be temporary. These projections are not intended as forecasts of future receipts, outlays, or budget authority because no attempt is made to predict future decisions or their effects. Nor are the projections intended as recommendations for future-year funding, since the continuation of Federal programs and taxes is a matter properly subject to continuous review in light of changing conditions.

In general, the projections assume that program levels remain constant except where they would change under current law or where there is an

explicit Administration recommendation to increase or decrease program levels over time. Thus, while defense personnel requirements are assumed to remain constant, defense purchases are assumed to rise in real terms. The projections allow for changes in beneficiary populations for programs such as social security. Allowances are also made for future cost-of-living adjustments to benefit levels, Federal pay, and other cost increases. These allowances are consistent with the economic assumptions outlined in Table 14.

Table 15 compares projected total receipts and total outlays. The difference between these figures -- the budget margin -- is the potential budget surplus or deficit that would be expected to occur if there were to be no tax changes, no new programs, and no discretionary program increases or decreases other than those currently recommended.

Table 15

THE FISCAL OUTLOOK, 1977-1981
(fiscal years; in billions of dollars)

	1977 Current estimate ¹	1978	1979	1980	1981
Projected outlays.....	400.0	433.3	461.5	492.2	522.2
Projected receipts.....	<u>352.5</u>	<u>405.2</u>	<u>462.6</u>	<u>513.9</u>	<u>558.3</u>
Budget margin or deficit (-).	-47.5	-28.1	1.1	21.7	36.1
<hr/>					
Budget authority.....	431.4	480.9	517.3	554.2	586.2
<hr/>					

¹ Includes impact of congressional action and inaction through June.

Details of the long-range receipt, outlay, and budget authority projections are shown in Tables 16 through 21.

Table 16

PROJECTED RECEIPTS BY MAJOR SOURCE, 1977-1981
(fiscal years; in billions of dollars)

	1977 Current estimate	1978	1979	1980	1981
Individual income taxes.....	152.6	179.7	214.8	244.5	267.3
Corporation income taxes.....	53.1	58.6	62.8	68.2	72.2
Social insurance taxes and contributions.....	111.0	130.1	146.0	159.9	176.1
Other.....	35.7	36.8	39.0	41.2	42.8
Total receipts.....	352.5	405.2	462.6	513.9	558.3

Table 17

PROJECTED BUDGET OUTLAYS BY FUNCTION, 1977-1981
(fiscal years; in billions of dollars)

	1977 Current estimate ¹	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
National defense.....	101.6	113.0	121.2	132.0	142.5
International affairs.....	7.1	8.0	8.0	8.2	8.2
General science, space, and technology.....	4.5	4.8	4.8	4.6	4.3
Natural resources, environment, and energy.....	15.1	17.1	16.6	15.7	15.6
Agriculture.....	1.8	2.7	2.7	2.6	2.6
Commerce and transportation.....	16.4	19.3	19.0	19.3	18.5
Community and regional development.....	6.0	6.1	6.2	6.0	5.9
Education, training, employment, and social services.....	18.4	16.4	16.4	16.6	16.8
Health.....	36.5	39.9	42.8	46.2	50.7
Income security.....	136.2	142.4	154.1	167.0	181.1
Veterans benefits and services.....	17.8	17.8	17.4	17.1	16.8
Law enforcement and justice.....	3.4	3.4	3.4	3.4	3.4
General government.....	3.5	3.6	3.8	3.7	3.6
Revenue sharing and general purpose fiscal assistance.....	7.4	7.7	7.9	8.1	8.2
Interest.....	40.2	44.1	47.5	49.1	50.1
Allowances.....	0.8	5.1	9.3	11.8	14.1
Undistributed offsetting receipts:					
Employer share, employee retirement.....	-4.5	-4.9	-5.2	-5.6	-6.0
Interest received by trust funds.....	-8.3	-9.2	-10.2	-10.7	-11.3
Rents and royalties on the Outer Continental Shelf.....	<u>-4.0</u>	<u>-4.0</u>	<u>-4.0</u>	<u>-3.0</u>	<u>-3.0</u>
Total budget outlays.....	400.0	433.3	461.5	492.2	522.2

¹ Includes impact of congressional action and inaction through June.

Table 18

PROJECTED BUDGET OUTLAYS BY AGENCY, 1977-1981
(fiscal years; in billions of dollars)

	1977 Current estimate ¹	1978	1979	1980	1981
Legislative branch.....	1.0	1.0	1.1	1.0	1.0
The judiciary.....	0.4	0.4	0.4	0.5	0.5
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.....	1.5	4.6	4.0	3.9	3.6
Agriculture.....	11.1	12.8	13.1	13.4	13.8
Commerce.....	2.2	2.0	2.0	2.2	2.0
Defense-Military (including pay raises).....	100.0	111.0	119.2	130.1	140.7
Defense-Civil.....	2.2	2.3	2.3	2.3	2.3
Health, Education, and Welfare.....	143.5	155.3	168.1	182.0	196.6
Housing and Urban Development.....	7.5	8.5	9.2	9.8	11.4
Interior.....	2.7	3.1	3.1	3.1	3.1
Justice.....	2.3	2.2	2.2	2.1	2.1
Labor.....	21.1	16.4	15.3	15.3	16.2
State.....	1.1	1.2	1.3	1.5	1.6
Transportation.....	12.8	14.3	14.8	15.3	14.9
Treasury.....	50.9	53.7	57.1	59.0	60.1
Energy Research and Development Administration.....	5.3	5.6	5.5	5.2	4.8
Environmental Protection Agency.....	4.6	5.7	5.7	5.1	5.1
General Services Administration.....	-0.6	-0.1	-*	-*	*
National Aeronautics and Space Administration.....	3.7	3.8	3.9	3.8	3.4
Veterans Administration.....	17.8	17.8	17.4	17.1	16.8
Other independent agencies.....	21.9	24.6	25.8	27.1	28.3
Allowances.....	0.8	5.1	9.3	11.8	14.1
Undistributed offsetting receipts:					
Employer share, employee retirement.....	-4.5	-4.9	-5.2	-5.6	-6.0
Interest received by trust funds.....	-8.3	-9.2	-10.2	-10.7	-11.3
Rents and royalties on the Outer Continental Shelf.....	-4.0	-4.0	-4.0	-3.0	-3.0
Total budget outlays.....	400.0	433.3	461.5	492.2	522.2

¹ Includes impact of congressional action and inaction through June.

* \$50 million or less.

Table 19

COMPOSITION OF BUDGET OUTLAYS
(fiscal years; dollar amounts in billions)

	Actual	Current Estimate 1/		Projection			
	1975	1976	1977	1978	1979	1980	1981
Domestic Assistance							
Payments for individuals:							
Direct 2/.....	\$126.5	\$148.1	\$158.6	\$166.6	\$179.2	\$193.2	\$209.2
Indirect (grants-in-aid).....	16.1	19.6	21.0	22.9	24.7	26.5	28.4
All other grants-in-aid 2/.....	<u>33.5</u>	<u>39.8</u>	<u>40.9</u>	<u>41.4</u>	<u>41.6</u>	<u>40.9</u>	<u>41.3</u>
Subtotal, Domestic assistance.....	176.1	207.5	220.4	230.9	245.5	260.7	278.9
Direct Federal Operations							
National defense.....	86.6	90.6	101.6	113.0	121.2	132.0	142.5
Net interest.....	23.3	26.6	31.9	35.0	37.3	38.4	38.8
Other.....	<u>38.5</u>	<u>44.4</u>	<u>46.1</u>	<u>54.5</u>	<u>57.6</u>	<u>61.1</u>	<u>61.9</u>
Subtotal, Direct Federal operations.....	<u>148.4</u>	<u>161.6</u>	<u>179.5</u>	<u>202.4</u>	<u>216.0</u>	<u>231.6</u>	<u>243.3</u>
Total budget outlays.....	<u>\$324.6</u>	<u>\$369.1</u>	<u>\$400.0</u>	<u>\$433.3</u>	<u>\$461.5</u>	<u>\$492.2</u>	<u>\$522.2</u>

PERCENT OF TOTAL OUTLAYS

Domestic Assistance							
Payments for individuals:							
Direct 2/.....	39.0%	40.1%	39.7%	38.4%	38.8%	39.3%	40.1%
Indirect (grants-in-aid).....	5.0	5.3	5.2	5.3	5.3	5.4	5.4
All other grants-in-aid 2/.....	<u>10.3</u>	<u>10.8</u>	<u>10.2</u>	<u>9.6</u>	<u>9.0</u>	<u>8.3</u>	<u>7.9</u>
Subtotal, Domestic assistance.....	54.3	56.2	55.1	53.3	53.2	52.9	53.4
Direct Federal Operations							
National defense.....	26.7	24.5	25.4	26.1	26.3	26.8	27.3
Net interest.....	7.2	7.2	8.0	8.1	8.1	7.8	7.4
Other.....	<u>11.9</u>	<u>12.0</u>	<u>11.5</u>	<u>12.6</u>	<u>12.5</u>	<u>12.5</u>	<u>11.9</u>
Subtotal, Direct Federal operations.....	<u>45.7</u>	<u>43.8</u>	<u>44.9</u>	<u>46.7</u>	<u>46.8</u>	<u>47.1</u>	<u>46.6</u>
Total budget outlays.....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

1/ Includes impact of congressional action and inaction through June.

2/ Excludes military retired pay and grants classified in the national defense function.

Table 20

PROJECTED BUDGET AUTHORITY BY FUNCTION, 1977-1981
(fiscal years; in billions of dollars)

	1977 Current <u>estimate</u> ¹	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
National defense.....	116.1	122.6	130.3	142.3	149.7
International affairs.....	9.2	9.8	9.6	9.3	9.2
General science, space, and technology.....	4.6	4.8	4.7	4.6	4.2
Natural resources, environment, and energy.....	11.5	15.6	14.3	14.1	14.1
Agriculture.....	2.3	1.9	2.5	2.5	2.4
Commerce and transportation.....	18.7	18.9	19.0	18.9	18.2
Community and regional development.....	6.7	6.0	6.0	6.1	5.9
Education, training, employment, and social services.....	16.9	16.4	16.7	16.9	17.1
Health.....	38.4	44.5	49.4	54.1	63.4
Income security.....	157.3	177.0	194.9	211.6	226.2
Veterans benefits and services.....	18.5	17.6	17.6	17.2	16.7
Law enforcement and justice.....	3.3	3.4	3.4	3.4	3.5
General government.....	3.5	3.6	3.7	3.5	3.5
Revenue sharing and general purpose fiscal assistance.....	7.3	7.7	7.9	8.1	8.3
Interest.....	40.2	44.1	47.5	49.1	50.1
Allowances.....	0.8	5.1	9.3	11.8	14.1
Undistributed offsetting receipts:					
Employer share, employee retirement.....	-4.5	-4.9	-5.2	-5.6	-6.0
Interest received by trust funds.....	-8.3	-9.2	-10.2	-10.7	-11.3
Rents and royalties on the Outer Continental Shelf.....	<u>-4.0</u>	<u>-4.0</u>	<u>-4.0</u>	<u>-3.0</u>	<u>-3.0</u>
Total budget authority.....	431.4	480.9	517.3	554.2	586.2

¹ Includes impact of congressional action and inaction through June.

Table 21

PROJECTED BUDGET AUTHORITY BY AGENCY, 1977-1981
(fiscal years; in billions of dollars)

	1977 Current <u>estimate</u> ¹	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Legislative branch.....	0.9	1.0	1.1	1.0	1.0
The judiciary.....	0.4	0.4	0.5	0.5	0.6
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.....	6.2	6.6	4.2	6.2	3.4
Agriculture.....	12.0	12.2	12.9	13.2	13.5
Commerce.....	1.6	2.0	2.0	2.2	2.0
Defense-Military (including pay raises).....	113.0	118.9	128.2	138.0	148.2
Defense-Civil.....	2.2	2.3	2.3	2.3	2.3
Health, Education, and Welfare.....	145.8	163.7	181.2	197.1	216.5
Housing and Urban Development.....	21.8	32.8	35.4	38.5	41.8
Interior.....	2.7	3.1	3.1	3.2	3.0
Justice.....	2.1	2.2	2.1	2.1	2.1
Labor.....	20.3	17.6	18.5	19.0	19.1
State.....	1.2	1.3	1.4	1.5	1.7
Transportation.....	8.8	13.0	13.6	13.5	13.1
Treasury.....	50.9	53.8	57.3	59.1	60.2
Energy Research and Development Administration.....	6.7	5.7	5.3	5.1	4.8
Environmental Protection Agency.....	0.7	4.7	4.7	4.7	4.7
General Services Administration.....	-0.6	-0.2	-0.1	-0.1	-0.1
National Aeronautics and Space Administration.....	3.7	3.9	3.8	3.7	3.3
Veterans Administration.....	18.5	17.6	17.6	17.2	16.7
Other independent agencies.....	29.2	31.3	32.3	33.6	34.6
Allowances.....	0.8	5.1	9.3	11.8	14.1
Undistributed offsetting receipts:					
Employer share, employee retirement.....	-4.5	-4.9	-5.2	-5.6	-6.0
Interest received by trust funds.....	-8.3	-9.2	-10.2	-10.7	-11.3
Rents and royalties on the Outer Continental Shelf.....	-4.0	-4.0	-4.0	-3.0	-3.0
Total budget authority.....	431.4	480.9	517.3	554.2	586.2

¹ Includes impact of congressional action and inaction through June.

Projections of Outlays for Open-Ended Programs and Fixed Costs

Section 221(b) of the Legislative Reorganization Act of 1970 amended the Budget and Accounting Act of 1921 to require that the President transmit to the Congress "summaries of estimated expenditures, for the first four fiscal years following the ensuing fiscal year [1977],. . . which will be required under continuing programs which have a legal commitment for future years or are considered mandatory under existing law. . ." Table 22 contains these estimates.

Table 22 indicates that benefit payments to individuals under existing legislation are projected to grow by roughly 8% a year from 1977 to 1981. Although legislation to renew the program is pending, outlays for the existing general revenue sharing program are shown in this table as dropping from \$6 billion in 1975 and 1976, to \$3 billion in 1977, and to zero in 1978 because the current statutory authorization expires after December 1976 and only the existing program is currently "relatively uncontrollable." (In Tables 17-18, and 20-21, however, the program is shown as continuing uninterrupted through 1981.). Outlays for other open-ended programs and fixed costs are projected to be relatively stable.

As the footnote on Table 22 states, the estimates represent simple projections of outlays under existing law. They are not intended to predict future economic conditions; nor do they reflect possible increases or decreases in the scope or quality of the program. Further, the resources that might appropriately be applied in later years will require a reexamination of the relative priorities of these and other Government programs in the light of economic and other circumstances then prevailing. Thus, the estimates do not represent a commitment as to amounts to be included in future budgets.

Table 22

PROJECTIONS OF OUTLAYS FOR OPEN-ENDED PROGRAMS AND FIXED COSTS, 1977-1981*
(fiscal years; in billions of dollars)

<u>Relatively Uncontrollable Under Present Law</u>	1977 Current <u>estimate</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>Open-Ended Programs and Fixed Costs</u>					
Payments for individuals:					
Social security and railroad retirement.....	87.0	95.9	105.7	115.8	125.7
Military retired pay.....	8.5	9.5	10.2	11.0	11.7
Other Federal employees retirement and insurance.....	10.0	11.5	13.0	14.4	15.5
Unemployment assistance.....	16.0	12.0	10.6	10.4	11.2
Veterans benefits.....	13.8	13.4	13.1	12.8	12.5
Medicare and medicaid.....	31.9	37.1	42.9	49.2	56.1
Housing payments.....	3.1	3.5	4.5	5.4	7.1
Public assistance and related programs.....	<u>21.6</u>	<u>18.5</u>	<u>19.5</u>	<u>20.4</u>	<u>21.3</u>
Subtotal, Payments for individuals.....	191.8	201.4	219.4	239.4	261.1
Net interest.....	31.9	34.9	37.3	38.4	38.8
General revenue sharing (existing law only).....	3.4	---	---	---	---
Other open-ended programs and fixed costs.....	<u>9.9</u>	<u>10.8</u>	<u>10.8</u>	<u>10.5</u>	<u>10.0</u>
Total, Open-ended programs and fixed costs.....	<u>237.0</u>	<u>247.1</u>	<u>267.5</u>	<u>288.3</u>	<u>310.0</u>

* This table is supplied pursuant to the requirements of Section 221(b) of the Legislative Reorganization Act of 1970 (P.L. 91-510). The estimates represent simple projections of outlays under existing law and exclude proposed legislation. They are not intended to predict future economic conditions; nor do they reflect possible increases or decreases in the scope or quality of the program. Further, the resources that might appropriately be applied in later years will require a reexamination of the relative priorities of these and other government programs in the light of economic and other circumstances then prevailing. Thus, the estimates do not represent a commitment as to amounts to be included in future budgets.

Outlays for Balances of Budget Authority Available at the end of
Fiscal Year 1977: Non-Mandatory Programs

Section 221(b) of the Legislative Reorganization Act of 1970 also amended the Budget and Accounting Act of 1921 to require that the President shall transmit to the Congress "summaries of estimated expenditures, in fiscal years following such ensuing fiscal year [1977 this year], of balances carried over from such ensuing fiscal year." Table 23 contains these estimates.

The current estimate of the balances at the end of fiscal year 1977 for programs that have controllable outlays is \$211 billion. About \$11 billion of this total is in guarantee and insurance program balances, very little of which is expected ever to be spent. The spending pattern from the balances in other programs, which amount to \$199.5 billion, is fairly consistent among the programs. The bulk of the spending takes place in 1978, and declines rapidly thereafter. About 44% is expected to be spent in 1978 and almost 20% in 1979. About 18% (\$35.1 billion) is expected to remain unexpended at the end of fiscal year 1981. An estimated \$7.4 billion of the 1977 end-of-year balances are expected to expire (without being spent) during fiscal years 1978 through 1981.

Table 23

ESTIMATED SPENDING FROM END OF FISCAL YEAR 1977 BALANCES OF BUDGET AUTHORITY: NON-MANDATORY PROGRAMS
(in billions of dollars)

	Federal guarantee and insurance programs: Reserves for losses, and <u>standby and backup authority</u>	Other unexpended balances, <u>September 30, 1977</u>	<u>Total</u>
Total balances, end of 1977 (current estimate).....	<u>11.2</u>	<u>199.5</u>	<u>210.7</u>
Spending from balances in:			
1978.....	0.8	88.1	88.9
1979.....	0.7	39.2	39.9
1980.....	0.7	19.1	19.8
1981.....	0.7	10.6	11.3
Expiring balances, 1978 through 1981.....	---	7.4	7.4
Unexpended balances as of end of 1981.....	8.3	35.1	43.4

The President is pleased
that ~~the~~ today's ^{budget} revisions
show that unemployment is
~~not~~ coming down faster than
expected, ~~and~~ inflation is
coming down faster than
expected. ^{The economy is improving} The President believes
his economic policies
are the major reason for
this improvement. The
President intends to ^{work}
continue to pursue ~~the~~
~~his policies~~ ~~in~~ ~~the~~
~~future~~ ~~by~~ ~~the~~ ~~bill~~
~~the~~ ~~future~~ ~~by~~ ~~the~~ ~~bill~~
gradually public opinion against
his spending and tax ~~deficit~~
of encouraging ^{the} growth of our
private economy, without rekindling
inflation and without ~~more~~ ~~inflation~~ ~~and~~ ~~more~~
more billions in deficits and more complex ~~tax~~ ~~and~~ ~~more~~ ~~people~~



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 21, 1976

SIGNATURE

MEMORANDUM FOR:

THE PRESIDENT

FROM:

James T. Lynn

SUBJECT:

Proposed Fiscal Year 1977 Budget Amendment
for Department of Defense - Military

Attached for your signature is a proposed fiscal year 1977 budget amendment for \$39.3 million for the Department of Defense - Military. The proposed amendment is required because the number of high school graduates enlisting in the Army has been declining below the level anticipated in the budget. The amendment will provide additional funds for enlistment bonuses to attract a greater number of high school graduates.

The original Defense Department request included a total of \$89.2 million for additional recruiting costs and \$6.5 million for a smoke grenade launcher. The Secretary of Defense has agreed to our adjustments which deleted all but the \$39.3 million for additional recruiting costs. To the extent that the items deleted are critically needed, they can be met through reprogramming action. The \$39.3 million was approved because you made a commitment during the 1977 budget review to consider additional funds for enlistment bonuses if it should appear they are needed.

This amendment will increase outlay totals by \$38.6 million in fiscal year 1977 and \$.7 million in fiscal year 1978.

RECOMMENDATION:

I recommend that you sign the letter transmitting the proposed budget amendment as soon as possible so that it may be considered by the Senate.

Attachments

THE WHITE HOUSE
WASHINGTON

The President

of the Senate

Sir:

I ask the Congress to consider a proposed amendment to the 1977 appropriations requested in the 1977 budget for the Department of Defense-Military. New budget authority is requested in the amount of \$39,300,000.

The details of this proposal are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Respectfully,

A handwritten signature in dark ink, appearing to read "Gerald R. Ford". The signature is written in a cursive style with a prominent "G" and "F".

Enclosure



EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

The President

The White House

Sir:

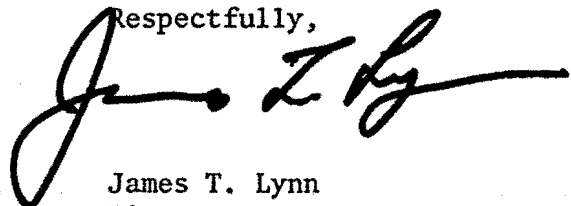
I have the honor to submit for your consideration a proposed amendment to the appropriations requested in the 1977 budget. The amendment involves an increase of \$39,300,000 for the Department of Defense-Military, as follows:

DEPARTMENT OF DEFENSE - MILITARY

Budget appendix page	Heading	1977 request pending	1977 proposed amendment	1977 revised request
MILITARY PERSONNEL				
231	Military personnel, Army	\$8,642,866,000	\$39,300,000	\$8,682,166,000

The proposed amendment is required because the number of high school graduates enlisting in the Army has been declining below the level anticipated in the budget. The amendment will provide additional funds for enlistment bonuses to attract a greater number of high school graduates.

I have carefully reviewed this request and am satisfied that it is necessary at this time. I recommend, therefore, that this proposal be transmitted to the Congress.

Respectfully,

 James T. Lynn
 Director

15/ 7/26/76

ACTION

THE WHITE HOUSE
WASHINGTON
July 23, 1976

MEMORANDUM FOR THE PRESIDENT
FROM: JIM CANNON
SUBJECT: Proposed FY 77 Budget Amendment for
Department of Defense - Military

OMB has prepared for your consideration the attached letter to the President of the Senate transmitting a proposed FY 77 budget amendment for \$39.3 million for the Department of Defense - Military.

As detailed in Jim Lynn's memorandum at Tab A, the amendment will provide additional funds for enlistment bonuses to attract a greater number of high school graduates.

OMB, NSC, Max Friedersdorf, Counsel's Office (Lazarus) and I recommend approval of the proposed letter to the President of the Senate which has been cleared by the White House Editorial Office (Smith).

RECOMMENDATION

That you sign the letter to the President of the Senate at Tab B.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

FOR IMMEDIATE RELEASE
Monday, April 12, 1976

OMB-150
Information Office
395-4854/4747

STATEMENT BY JAMES T. LYNN
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET

The budget approved by the Senate today hides the true facts. Despite claims that the Senate's budget and deficit are not much different from those proposed by the President, the truth is that the Senate budget adds at least \$16 billion in unnecessary or undesirable Federal spending and, having done this, the Senate's proposed budget says to the American people: "Sorry, folks, we just can't give you the tax cuts the President thinks you should have."

By rejecting the President's position on taxes, the Senate reduces by \$5.8 billion the deficit produced by its compulsion to spend. But the Senate Budget Committee also keeps the deficit number down by increasing its estimate of tax receipts by \$5.9 billion more as a result of very optimistic assumptions about tax reform and tax estimates generally. The Committee assumes that "tax reform" will add \$2 billion to 1977 receipts, in spite of the fact that the Committee was told by the Chairman of the Senate Finance Committee that any tax reform legislation that might be passed in time to affect 1977 receipts would reduce those receipts rather than increase them. Nor do we find any sound basis for the Senate adding as much as \$3.9 billion to the Administration's tax estimates. When adjustments are made for these two items and for estimating differences, the Senate budget produces a FY 1977 deficit that is more like \$54 billion.

But no matter how they slice it, the Senate action today plays Russian Roulette with inflation. I sincerely hope the House of Representatives will know better.

The following table summarizes the figures:

April 12, 1976

The Senate Budget Totals

	(In billions)		
	<u>Receipts</u>	<u>Outlays</u>	<u>Deficit</u>
Senate Committee totals	\$362.4	\$412.6	\$-50.2
Adjustments included in the Senate Committee totals that do not represent program or policy changes:			
Estimating differences (net)	-3.9	-2.6	-1.3
Assumed enactment of tax reform	-2.0	---	-2.0
Technical treatment of earned income credit	<u>.6</u>	<u>.6</u>	<u>---</u>
Senate Committee total should be ...	357.1	410.6	-53.6
Deletion of changes by the Senate Committee in the President's tax and program proposals	<u>-5.8</u>	<u>-16.4</u>	<u>10.6</u>
President's January budget totals	351.3	394.2	-43.0