

# OVERVIEW OF THE 1977 BUDGET

An Analysis of the President's Proposals  
Prepared for the House Committee on Appropriations

Staff Working Paper

January 23, 1976  
(Revised February 4, 1976)



CONGRESS OF THE **UNITED** STATES  
Congressional Budget Office  
Washington, D.C.



## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY	
FEDERAL SPENDING	
Historical Perspectives.....	1
1976 Budget.....	13
<b>Transition Quarter</b> .....	20
<b>1977</b> Budget.....	23
Five-Year Projections.....	28
FEDERAL RECEIPTS	
<b>Individual</b> and Corporate Tax Reduction.....	31
Social Insurance Taxes and Contributions.....	33
Distribution of <b>Individual</b> Income and <b>Payroll</b> Tax Burdens under Present Law and the President's <b>Proposals</b> .....	34
THE BUDGET AND THE ECONOMY	
The <b>Economic Outlook</b> .....	40
The <b>President's</b> Budget and a Current <b>Policies</b> Budget.....	44
The Economic Impact of the President's Budget.....	48
THE BUDGET BY FUNCTION	
National Defense.....	52
International <b>Affairs</b> .....	56
General <b>Science</b> , Space and Technology.....	58
Natural Resources, <b>Environment</b> and Energy.....	61
<b>Agriculture</b> .....	66
Commerce and Transportation.....	69
Community and Regional <b>Development</b> .....	73
Education, Manpower and Social Services.....	76
Health.....	80
Income Security.....	83
Veterans Benefits and Services.....	86
Law Enforcement and Justice.....	89
General Government.....	91
Revenue Sharing and <b>General</b> Purpose Fiscal Assistance.....	93
Interest.....	96
<b>Allowances</b> .....	98
Undistributed <b>Offsetting</b> Receipts.....	100
APPENDIX	
Budget <b>Scorekeeping</b> Record.....	105



## TABLES

	<u>Page</u>
1. Budget Totals , 1975-77 .....	ii
2. Composition of Budget Outlays, 1957-77 .....	3
3. Growth in Federal Outlays in Current and Constant (FY 1957) Prices, 1957-77 .....	4
4. Budget Outlays by Function, 1957-77 .....	8
5. Percentage Distribution of Budget Outlays, 1957-77 .....	9
6. Variations Between Original Budget Estimates, 1968-1975.....	11
7. Major Changes in Fiscal Year 1976 Budget Estimates . . . . .	16
8. 1976 Budget Authority by Major Function .....	17
9. 1976 Budget Outlays by Major Function .....	18
10. Proposed Rescissions in the 1977 Budget by Major Function .....	19
11. Transition Quarter Budget Authority by Major Function .....	21
12. Transition Quarter Outlays by Major Function .....	22
13. Major Changes in 1977 Budget Authority and Outlays from 1976 Current Estimate .....	24
14. Major Changes in 1977 Budget Authority and Outlays from November 10 Current Services Estimates .....	25
15. 1977 Budget Authority by Major Function .....	26
16. 1977 Budget Outlays by Major Function .....	27

## Tables (continued)

	<u>Page</u>
17. Five-Year Budget <b>Projections</b> , 1967-81 .....	29
18. <b>Federal</b> Revenue by Source, <b>1967-81</b> .....	32
19. <b>Comparison</b> of <b>President's</b> Tax Proposals with Existing <b>Law</b> .....	37
20. <b>Selected</b> Economic Forecasts, <b>1976</b> and <b>1977</b> .....	43
21. <b>Federal</b> Outlays, <b>1976</b> and <b>1977</b> .....	47
22. Estimated Economic Impact of the Administration Budget .....	49

## CHARTS

### Page

1. Budget **outlays** in constant 1957 dollars ..... iv
2. National defense outlays in constant 1957 dollars ..... 6
3. Nondefense **outlays** in constant 1957 dollars ..... , 7





## SUMMARY

The President's budget for fiscal 1977 proposes outlays of \$394 billion, revenues of **\$351 billion** and a deficit of **\$43 billion**. This represents a 5.5 percent increase in **outlays** – a sharp reduction from past trends – and an **18** percent increase in revenues. The **resulting** deficit **would** be **\$33 billion less** than currently estimated by the Administration for 1976. The **Administration** projects that the budget **will** move into a **surplus** in 1979. If the economy were continuously operating at full **employment**, the Administration **estimates** that the budget **would** be **balanced** in 1977.

On the spending side, the **Administration's** budget proposes a **\$21 billion increase** in **outlays**, of which **\$8 billion** or 40 percent **would** be for **national** defense. Another **\$10 billion** or 50 percent of the increase would be allocated to benefit payments for **individuals**, such as **social** security, **medicare** and **medicaid**. Net interest costs are estimated to increase by **\$6 billion**, and grants to State and **local** governments and other **federal** operations are estimated to decrease by **\$4 billion**.

Measured in constant (FY 1969) prices, total federal **outlays** would **fall** by 2.7 percent between 1976 and 1977. **National** defense **outlays**, however, would **increase** in **real** terms by about one percent, continuing the **increase** started in 1976 that reversed a seven-year decline in **real** defense resources.

Relative to the size of the economy, total budget outlays are estimated to decline from 23.4 percent of GNP in 1976 to 21.5 percent in 1977. By 1981, the Administration projects budget **outlays** to **fall** under its **proposals** to **18** percent of GNP, the lowest **level** since 1957.

In order to hold federal **outlays** to \$394 billion in 1977, the **Administration** proposes to reduce the current services spending level by at least **\$20 million**. While proposing a **small** increase above a current services **level** for defense **purchases**, foreign aid and energy **programs**, the Administration proposes to hold benefit payments for **individuals**, grants and federal **operations** below the OMB estimates of current services for 1977. To achieve these **results**, the **Administration will** make several cost saving **legislative** proposals, many of which the Congress has not accepted in the past,

On the **revenue** side, the Administration is proposing an additional **\$10 billion** reduction in **individual** and corporate **income** taxes over a **simple** extension of the 1975 tax cuts. The **Administration** is also proposing increases in social security, **unemployment** insurance and other taxes that

Table 1. Budget Totals, 1975-77  
(In billions of dollars)

Item	Budget Receipts	Budget Outlays	Deficit(-)	Budget Authority
1975 actual . . . . .	281.0	324.6	-43.6	412.1
1976 original request . . . . .	297.5	349.4	-51.9	385.8
1976 current estimate * . . . . .	296.3	372.3	-76.0	407.2
1976 Second Budget Resolution..	300.8	374.9	-74.1	408.0
T.Q. original request . . . . .	84.4	94.3	- 9.8	88.2
T.Q. current estimate . . . . .	81.9	98.0	-16.1	88.1
T.Q. Second Budget Resolution..	86.0	101.7	-15.7	91.1
1977 current services estimate * . . . . .	371.4	413.2	-41.9	449.2
1977 request * . . . . .	350.7	393.6	-43.0	432.8

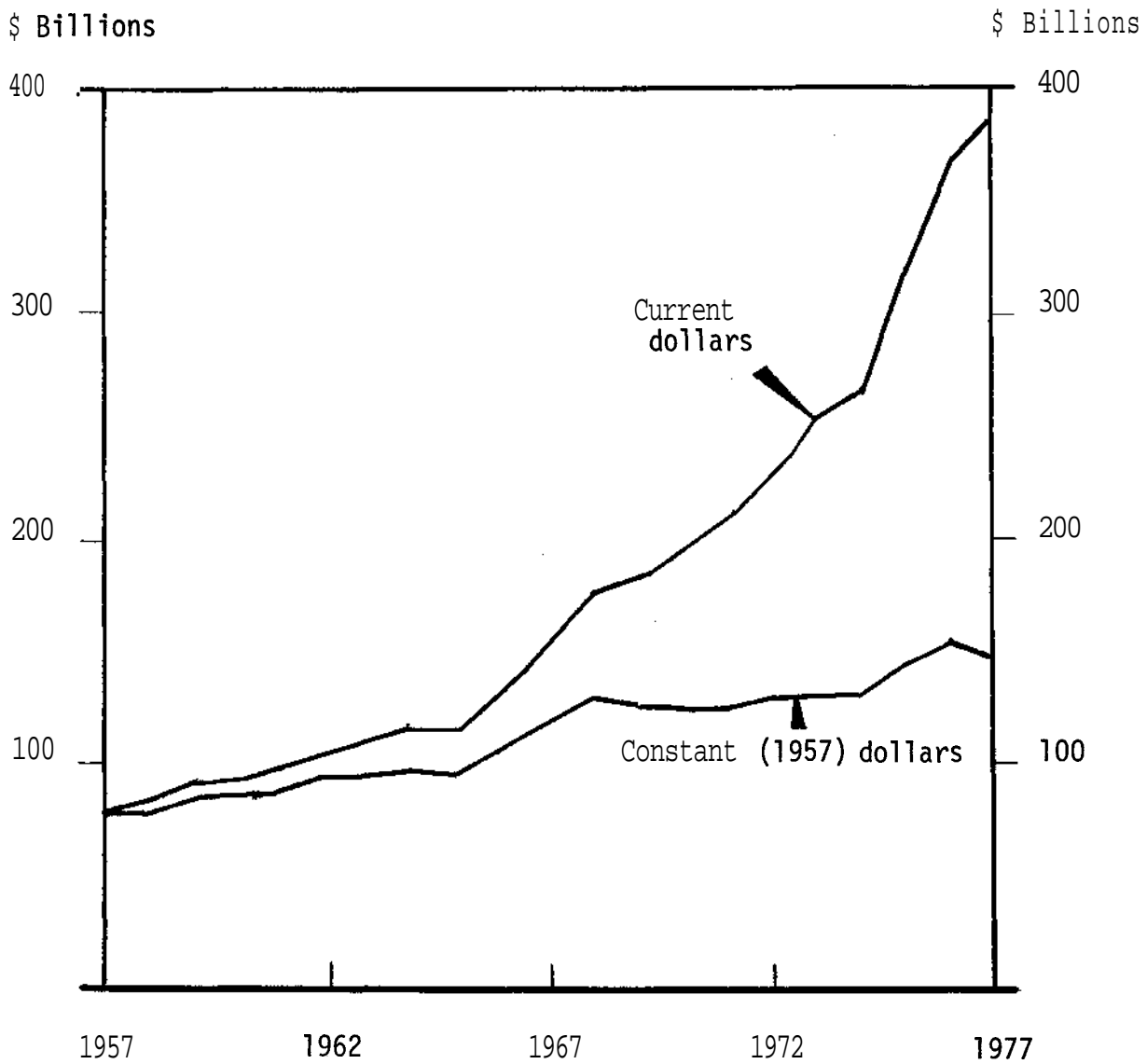
Source: The Budget of the United States Government, Fiscal Years 1976 and 1977; and Current Services Estimates for Fiscal Year 1977, Office of Management and Budget, November 10, 1975.

\* The earned income credit for 1976 (\$1.2 billion) is deducted from revenues rather than added to outlays as done by OMB in order to maintain comparability with the original request and the Second Budget Resolution. This adjustment is also made for the 1977 current services estimate (\$1.2 billion) and the 1977 request (\$600 million).

would raise FY 1977 revenues by nearly \$5 billion. However, increases under existing law of the taxable wage base for social security contributions will produce an additional \$3 billion of revenue in FY 1977. Thus, the net tax reduction in FY 1977 would amount to only about \$2 billion. Since the individual income tax is progressive in its impact on individual earnings, and the social security tax regressive, the net effect of the Administration's tax proposals is to lower the tax burden on higher-income persons and to increase slightly the tax burden on the very lowest-income groups.

On balance, the Administration's budget proposals provides less economic stimulus than continuing current spending and taxing policies. This would result in less economic growth in 1976 and in 1977, and a higher unemployment rate by the end of calendar 1977 (.6 percentage points) than is projected under a current policies budget. Eventually, the lower growth under the Administration's budget would result in a lower inflation rate in the longer run than might occur under a current policies budget. However, a great deal of uncertainty surrounds all estimates of the economic impact of the Administration's or a current policies budget. The view that federal spending cuts are generally contractionary and tax cuts generally stimulative is a widely held view among economists but it is not unanimous.

Chart 1. Budget Outlays in Constant 1957 Dollars



Source: The United States Budget in Brief, Fiscal Year 1977

## FEDERAL SPENDING

### Historical Perspectives

Total federal **spending** has increased almost fivefold during the last two decades - from \$77 **billion** in FY 1957 to an estimated \$375 billion in FY 1976 (under the second budget resolution). This represents an average annual increase of close to 9 percent.

As a percentage of GNP, total federal outlays will rise from 17.7 percent in FY **1957** to 23.4 percent in FY **1976**. Between FY **1957** and FY 1975, **total** outlays averaged 19.6 percent of GNP. The recent rise in federal spending **relative** to the size of the economy is a **result** of the current recession which has (1) raised **federal** outlays for some types of spending such as **unemployment** compensation and (2) lowered GNP from what it otherwise would be under a **full** employment economy.

The President proposed to hold the increase in **total** federal **outlays** in FY 1977 to 5.5 percent, a sharp reduction from past trends. Because of the intervening transition quarter, however, the **annual-rate** percentage increase between 1976 and **1977** would be even **less** - 4.4 percent. This increase in federal spending **would** be less than the assumed rate of growth for GNP so that total outlays would fall as a percentage of GNP to 21.5 percent.

Measured in constant (FY 1957) **dollars**, the growth in federal outlays has not been as substantial as measured in current prices. Between FY **1957** and FY 1976, total spending in real terms doubled, compared to an almost fivefold increase in current **dollars**. This amounts to an average annual rate of somewhat **less** than 4 percent during the past 20 years. The **President's** FY 1977 budget **proposals** would **result** in a 2.7 percent reduction in **federal** spending when measured in constant (FY 1957) dollars.

The composition of **federal** spending has changed significantly during the last 20 years. There has been a substantial increase in the relative share of the budget **allocated** to benefit payments for **individuals** and grants to State and **local governments**, particularly since 1967. At the same time, the share of the budget devoted to national defense has **fallen** markedly. Spending for other federal programs, **including** interest on the debt, has remained a **relatively** constant share of the budget.

The shift in the relative importance between defense and other spending is even more striking when measured in constant (FY 1957) **dollars**. Defense spending in FY 1976 is estimated to be 10 percent **below** the level of FY 1957 outlays when measured in constant FY 1957 prices. FY 1976 spending for other purposes, however, **will** be 224 percent **above** the FY 1957 **level** when measured in FY 1957 **prices**.

Table 2. Composition of Budget Outlays, 1957-77

A. Billions of dollars in current prices

Major Category	1957	1967	1975	1976 est.	1977 est.
National defense .....	42.3	69.1	86.6	92.8	101.1
Payments for <b>individuals</b> * .....	15.6	40.1	142.5	168.2	178.5
Grants to State and local governments .....	2.1	10.2	33.6	40.3	39.6
Net interest .....	5.4	10.3	23.3	26.8	32.9
Other <b>federal</b> operations .....	11.3	28.6	38.6	45.4	42.1
Total .....	76.7	158.3	324.6	373.5	394.2

B. Percentage distribution of budget outlays

National defense .....	55	44	27	25	26
Payments for <b>individuals</b> * .....	20	25	44	45	45
Grants to State and local governments .....	3	6	10	11	10
Net interest .....	7	7	7	7	8
Other <b>federal</b> operations .....	15	18	12	12	11
Total .....	100	100	100	100	100

C. Outlays as a percentage of GNP

National defense .....	9.8	8.9	6.0	5.8	5.5
Payments for <b>individuals</b> * .....	3.6	5.2	9.9	10.6	9.7
Grants to State and local governments .....	0.5	1.3	2.3	2.5	2.2
Net interest .....	1.2	1.3	1.6	1.7	1.8
Other federal operations .....	2.6	3.7	2.7	2.8	2.3
Total .....	17.7	20.5	22.5	23.4	21.5

Source: The United States Budget in Brief, Fiscal Year 1977

\* Includes payments for **individuals** which are channeled through State and local governments, e.g., public assistance, food stamps and medicaid.

Table 3. Growth in Federal Outlays in Current and  
Constant (FY 1957) Prices, 1957-77  
(In billions of dollars)

Fiscal Year	Total Outlays		National Defense		Nondefense	
	Current	Constant	Current	Constant	Current	Constant
1957	76.7	76.7	42.3	42.3	34.5	34.5
1962	106.8	94.8	50.4	45.3	56.4	49.5
1967	158.3	119.2	69.1	53.3	89.2	65.9
1972	231.9	131.6	77.4	44.3	154.5	87.3
1975	324.6	144.2	86.6	39.0	238.0	105.2
1976 est.	373.5	154.0	92.8	37.9	280.8	116.1
1977 est.	394.2	149.9	101.1	38.2	293.1	111.7

Average Annual Percentage Changes (%)

1957 - 1962	6.8	4.3	3.6	1.4	10.3	7.5
1962 - 1967	8.2	4.7	6.5	3.3	9.6	5.9
1967 - 1972	7.9	2.0	2.3	-3.5	11.6	5.8
1972 - 1975	11.9	3.1	3.8	-3.3	15.5	6.9
1975 - 1976	15.1	6.8	7.2	-2.8	18.0	10.0
1976 - 1977	5.5	-2.7	8.9	0.9	4.4	-3.8

Source: The United States Budget in Brief, Fiscal Year 1977



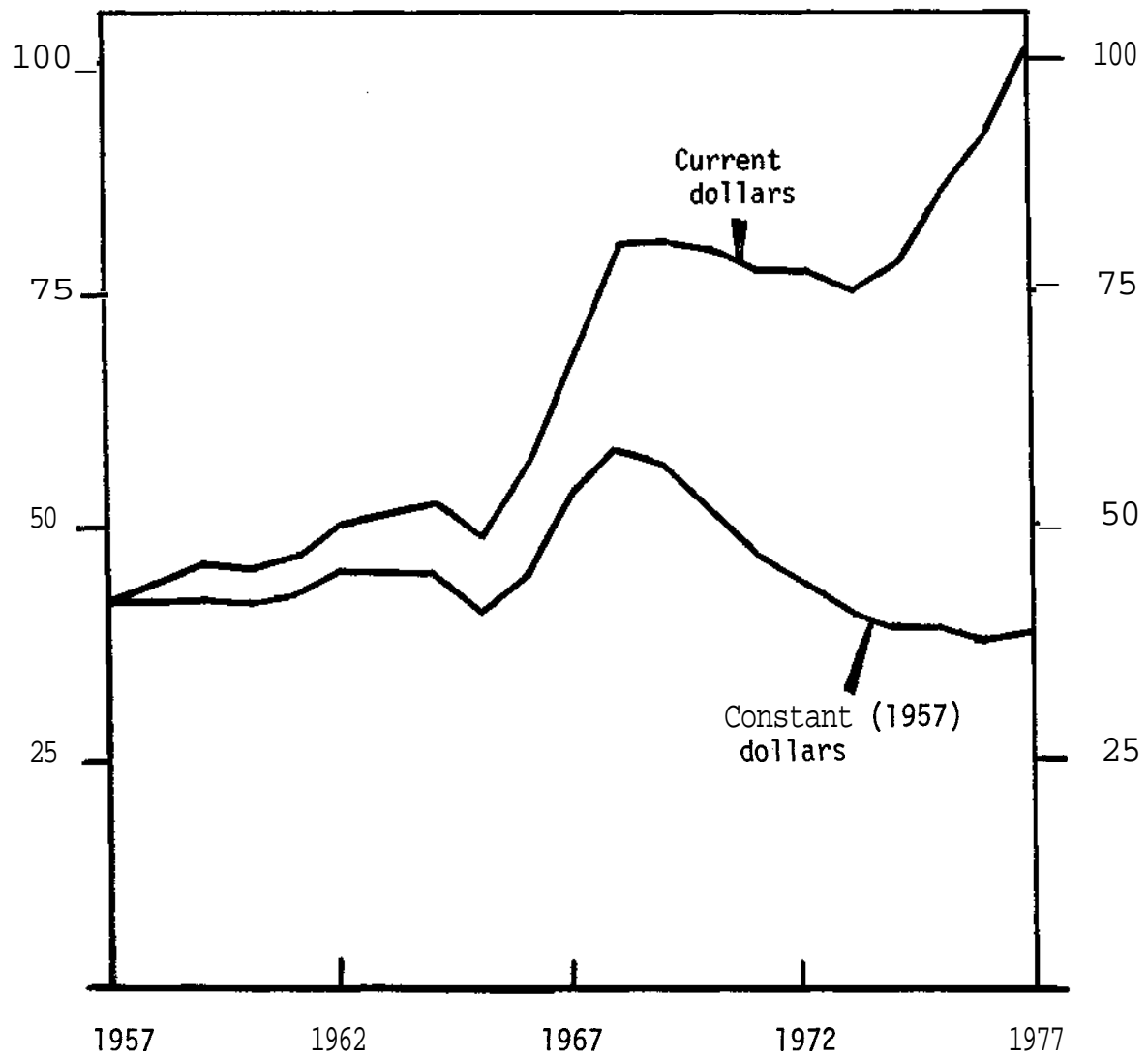
For FY 1977, the President is proposing a real increase of one percent in defense spending and a real decrease in other spending, measured in constant FY 1957 prices. The **real** decreases are concentrated in grants to State and **local** governments and other federal operations. Payments for **individuals** would also have a slight decrease in FY 1977 from FY 1976 **levels** when measured in constant prices.

These increases in **federal** spending and the shifts in the **relative** shares of budget **allocations** are **displayed** in tables 2 and 3 and charts 1-3.

Another useful **classification** of **federal** spending is by the major functions or purposes being served by **federal** programs. The Congressional Budget and Impoundment **Control** Act of 1974 requires the Congress to estimate outlays and budget authority for each function. The functional classification is a means of presenting budget authority and **outlays** in terms of the **principal** purposes that **federal** programs are intended to serve, **regardless** of which agency carries out the activity, and without double counting.

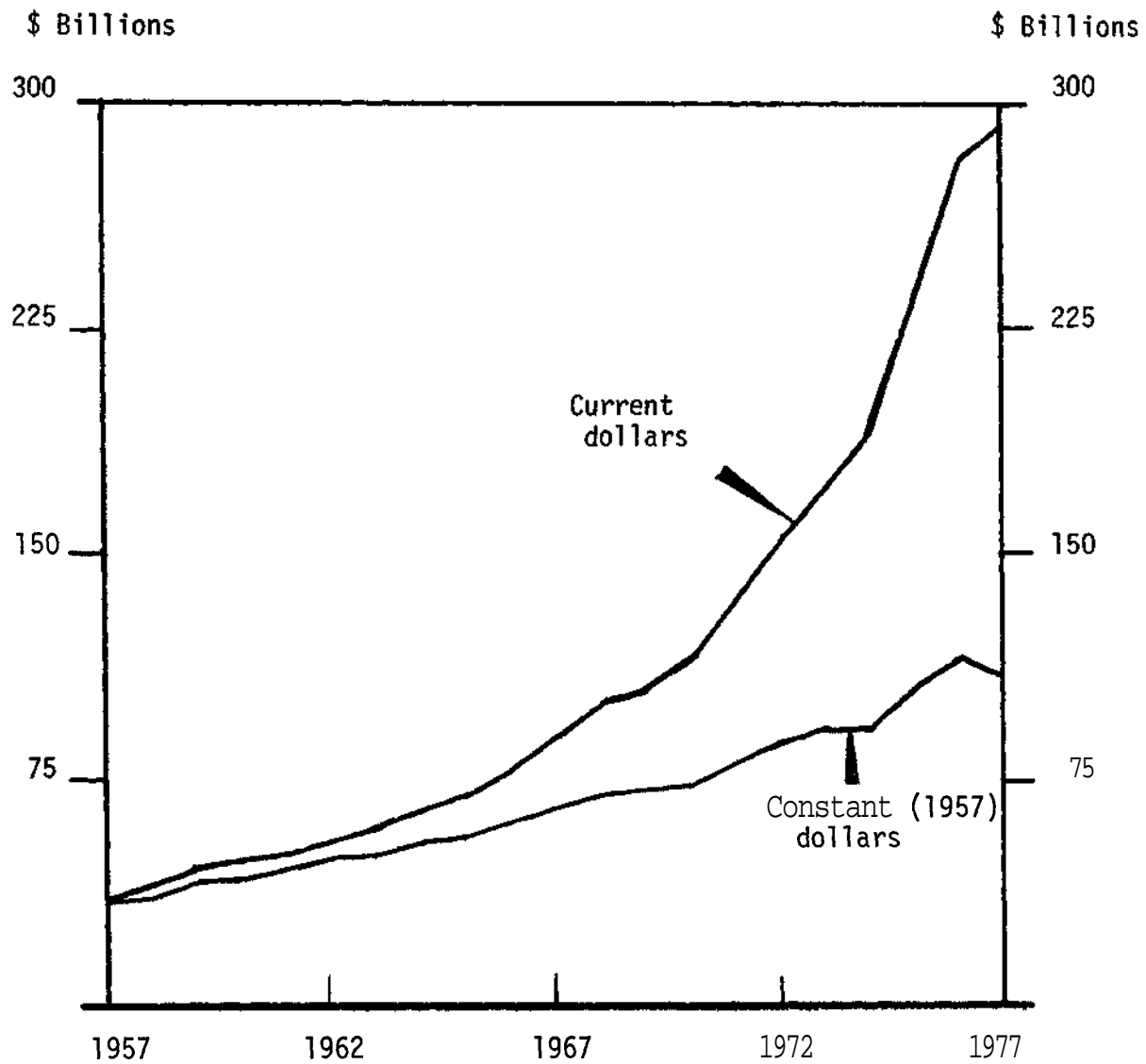
Tables 4 and 5 show the distribution of federal outlays among the 16 major functional categories for the FY 1957-77 period. During this period, there have been very significant changes in the percentage distribution of budget outlays among major **functions**. The national defense function has **fallen** from 55 percent of the budget in FY 1957 to a proposed 25.6 percent in 1977. The **relative** share of **international** affairs, **agriculture**, veterans benefits and services, and general

Chart 2. National Defense Outlays in Constant 1957 Dollars



Source: The United States Budget in Brief, Fiscal Year 1977

Chart 3. Nondefense Outlays in Constant 1957 Dollars



Source? The United States Budget in Brief, Fiscal Year 1977

Table 4. Budget Outlays by Function 1957-77  
(Fiscal years, in billions of dollars)

Function	1957	1967	1975	1976 est.	1977 est.
National defense.....	42.3	69.1	86.6	92.8	101.1
International affairs.....	3.3	4.7	4.4	5.7	6.8
General science, space and technology.....	0.1	6.2	4.0	4.3	4.5
Natural resources, environment and energy.....	1.4	3.7	9.5	11.8	13.8
Agriculture.....	2.3	3.0	1.7	2.9	1.7
Commerce and transportation . . . . .	3.1	9.2	16.0	17.8	16.5
Community and regional development.....	0.1	1.4	4.4	5.8	5.5
Education, manpower and social services.....	0.6	6.0	15.2	18.9	16.6
Health.....	0.5	6.8	27.6	32.1	34.4
Income security.....	11.6	30.8	108.6	128.5	137.1
Veterans benefits and services.....	5.0	6.9	16.6	19.0	17.2
Law enforcement and justice . . . . .	0.3	0.6	2.9	3.4	3.4
General government.....	1.2	1.6	3.1	3.5	3.4
Revenue sharing and general purpose fiscal assistance.....	0.1	0.3	7.0	7.2	7.4
Interest.....	6.7	12.5	31.0	34.8	41.3
Allowances.....	--	—	—	.2	2.3
Undistributed offsetting receipts.....	-1.9	-4.6	-14.1	-15.2	-18.8
Total.....	76.7	158.3	324.6	373.5	394.2

Source: 1977 Budget of the United States Government and historical tables prepared by the Office of Management and Budget,

Table 5, Percentage Distribution of Budget Outlays  
by Major Function, 1957 - 1977

Function	1957	1967	1975	1976 est.	1977 est.
National defense .....	55.1	43.7	26.7	24.8	25.6
International affairs .....	4.3	3.0	1.4	1.5	1.7
General science, space and <b>technology</b> .....	0.1	3.9	1.2	1.2	1.1
Natural resources, environment and energy .....	1.8	2.3	2.9	3.2	3.5
<b>Agriculture</b> .....	3.0	1.9	0.5	0.8	0.4
Commerce and transportation .....	4.0	5.8	4.9	4.8	4.2
Community and <b>regional</b> <b>development</b> .....	0.1	0.9	1.4	1.6	1.4
Education, manpower and social services .....	0.8	3.8	4.7	5.1	4.2
Health .....	0.7	4.3	8.5	8.6	8.7
Income <b>security</b> .....	15.1	19.5	33.5	34.4	34.8
Veterans benefits and services .....	6.5	4.4	5.1	5.1	4.4
Law enforcement and justice .....	0.4	0.4	0.9	0.9	0.9
General government .....	1.6	1.0	1.0	0.9	0.9
Revenue <b>sharing</b> and general purpose <b>fiscal</b> assistance .....	0.1	0.2	2.2	1.9	1.9
Interest .....	8.7	7.9	9.6	9.3	10.5
<b>Allowances</b> .....	--	—	--	0.1	0.6
Undistributed <b>offsetting</b> receipts .....	-2.5	-2.9	-4.3	-4.1	-4.8
<b>Total</b> .....	100.0	100.0	100.0	100.0	100.0

Source: 1977 Budget of the United States Government and historical tables  
prepared by the Office of Management and Budget,

government have also **declined** during this period. Income security; health; education, manpower and **social** services; **natural** resources, revenue sharing; and interest have risen as a percentage of total outlays since FY 1957. The increase in income security; health; and education, manpower, and social services is most **striking** -- from a combined 17 percent of **total** spending in FY 1957 to a proposed 48 percent in FY 1977.

Accuracy of budget estimates -- Table 6 shows the variations between the original budget estimates and the **actual totals** for budget receipts, budget outlays, and the surplus or deficit since FY 1969 when the unified budget was adopted. The swing in receipts as a percentage of the original **estimates** averaged 4.6 percent from 1969 to 1975. The swing in outlays averaged 2.3 percent. For 1975, the original budget submission overestimated receipts by 4.7 percent and underestimated **outlays** by 6.6 percent. This was **largely** the result of the recession because the original 1975 budget assumed more optimistic economic conditions than occurred.

The FY 1976 receipt estimates are essentially unchanged from the original budget submission a year ago, but the **outlay** estimate has been raised over \$20 **billion** or **close** to 7 percent.

Earned income credit -- OMB has revised the budget treatment of the earned income credit, treating this as an outlay rather than a deduction from receipts. The Tax Reduction Act of 1975 (passed in February) and the

Table 6 , Variations Between Original Budget Estimates  
(In billions of dollars)

A. Budget Receipts

Fiscal Year	Original Estimate	Revised Estimate *	Actual	Actual Compared To Original
1969	178.1	186.1	187.8	+ 9.7
1970	198.7	199.4	193.7	- 5.0
1971	202.1	194.2	188.4	-13.7
1972	217.6	197.8	208.6	- 9.0
1973	220.8	225.0	232.2	+11.4
1974	256.0	270.0	264.8	+ 8.8
1975	295.0	278.8	281.0	-14.0
1976	297.5	296.3	--	--

B. Budget Outlays

1969	186.1	183.7	184.6	- 1.5
1970	195.3	197.9	196.6	+ 1.3
1971	200.8	212.8	211.4	+10.6
1972	229.2	236.6	231.9	+ 2.7
1973	246.3	249.8	246.5	+ 0.2
1974	268.7	274.7	268.3	- 0.4
1975	304.4	313.4	324.6	+20.2
1976	349.4	372.3	--	--

C. Surplus or Deficit

1969	- 8.0	+ 2.4	+ 3.2	+11.2
1970	+ 3.4	+ 1.5	- 2.8	- 6.3
1971	+ 1.3	-18.6	-23.0	-24.3
1972	-11.6	-38.8	-23.2	-11.6
1973	-25.5	-24.8	-14.3	+11.2
1974	-12.7	-4.7	- 3.5	+ 9.2
1975	- 9.4	-34.7	-43.6	-34.2
1976	-51.9	-76.0	--	--

Source: U.S. Budget Documents

\* The current estimate for any fiscal year appears in the following fiscal year budget.

Tax Adjustment Act of 1975 (passed in December) provided low-income persons with an earned income credit - an offset to the taxes they would pay. If the credit exceeds **someone's** tax **liability**, he or she will receive a **so-called** "refund" check from the Treasury. OMB believes that these payments should be recorded as an outlay rather than as a tax refund. However, since the original 1976 budget and the two **congressional** budget resolutions treated this item as a revenue **loss**, the tables that follow exclude the earned income credit from the current spending estimates in order to achieve **comparability**. The Budget Committees plan to review the method of accounting for these credits in their consideration of the fiscal 1977 budget resolution this spring. The amounts involved are shown below:

(In **billions** of **dollars**)

	1976 Current Estimate		1977 Request	
	<u>BA</u>	<u>Outlays</u>	<u>BA</u>	<u>Outlays</u>
President's Jan. 21 budget.....	408.4	373.5	433.4	394.2
Less: Earned income credit.....	<u>1.2</u>	<u>1.2</u>	<u>.6</u>	<u>.6</u>
Revised budget totals.....	<u>407.2</u>	<u>372.3</u>	<u>432.8</u>	<u>393.6</u>

Corresponding amounts are deducted from the receipt totals so that the estimates of the budget deficits are unaffected by this technical adjustment.



### 1976 Budget

**Total** outlays for **fiscal** 1976 are currently estimated by the Administration at \$372.3 billion (adjusting for the earned income credit). This is \$22.9 **billion** above the estimate submitted a year ago and \$2.6 **billion** below the **level** specified in the Second Concurrent Resolution for the 1976 budget.

The **Administration's** estimates for budget authority **similarly** have been **reestimated** upwards from the **original** 1976 budget submission a year ago. The current Administration estimate for budget authority is \$407.2 **billion**, up \$21.4 billion from the **original** request, and \$0.8 **billion** below the **level** specified in the Second Concurrent **Resolution**.

The major changes in the budget estimates are shown in Table 7. The changes are a **result** of congressional action and inaction on the **President's original proposals**, **reestimates** of spending under **so-called uncontrollable** programs and other factors.

According to the CBO **scorekeeping** records, action or inaction by the Congress on the **President's 1976 original proposals** added an estimated \$8.7 **billion** in **outlays**. The **Administration's** appropriation requests were reduced by the Congress by \$3.6 billion in budget authority and \$2.5 **billion** in **outlays**. Offsetting these decreases, however, were increases of \$7.2 **billion** in **outlays** for (1) legislative action on other spending **bills**

(+ \$2.0 billion in budget authority and + \$3.0 **billion** in outlays) and (2) **inaction** on various budget reductions proposed by the President (+ \$5.2 **billion** in budget authority and + \$8.2 billion in **outlays**). The appendix contains a congressional **scorekeeping** record from fiscal 1969.

A major share of the upward reestimates of 1976 spending by the Administration is a **result** of outlay reestimates for so-called uncontrollable programs. Last February, the Administration expected the unemployment rate to average 8.1 percent during 1975; the **actual** average was about 8.5 percent. As a result of higher than anticipated unemployment, spending is greater than expected for such programs as **unemployment** insurance (+ \$2.6 **billion**). Other upward reestimates include veterans benefits (+ \$2.7 **billion**), medicare and **medicaid** (+ \$2.7 **billion**), and farm price supports (+ \$1.0 **billion**). A major upward **reestimate** in **total** spending is the result of a **lower** estimate for offshore **oil** leases (+ \$5.0 billion), since these receipts are deducted from the spending **totals**.

**Tables** 8 and 9 compare the current Administration spending estimates with the second budget resolution figures by major function. While the current Administration estimates for 1976 are **below** the second budget **resolution** ceilings in the aggregate, the current estimates exceed the second budget **resolution** estimates for several major functions. The principal "overages" are for national defense, international affairs, revenue sharing and **general** purpose fiscal assistance, and undistributed offsetting receipts. These "overages" are **mostly** due to the following factors:

- (1) The Second Concurrent Resolution on the 1976 budget assumed that the Administration-requested funds for military assistance and other security assistance programs **would** be reduced by \$0.4 **billion** in budget authority and \$0.2 **billion** in **outlays**.
- (2) Funds were not **included** in the Resolution for seasonal loans to New York City (+ \$2.3 **billion** in budget **authority**).
- (3) The Second Concurrent **Resolution** assumed \$4.5 **billion** in offsetting receipts for offshore oil **leases**. The **Administration's** current estimate for these receipts, which is more **realistic** in **light** of recent experience, is \$3.0 **billion**. This reestimate has the effect of adding to the **totals** for budget authority and **outlays**.

In addition, the **President's** 1977 budget contains a very large number of outlay **reestimates** which have to be carefully reviewed by the CBO and the Appropriations and Budget Committees before they are incorporated in future congressional budget **scorekeeping** reports.

The 1977 budget **also** contains a number of rescission proposals by the Administration involving \$2.6 billion in budget authority for 1976 and the transition quarter. The outlay impact of these proposals would **fall largely** in fiscal 1977. **Table 10** provides a summary of these **proposals** by major function.

Table 7. Change in 1976 Budget Authority and Outlays  
(In billions of dollars)

Major Changes	Budget Authority	Estimated Outlays
Original request, 1976 budget. . . . .	385.8	349.4
Foreign assistance programs. . . . .	+ 2.3	- 2.3
(Foreign military credit sales) . . . . .	(+2.7)	(-0.5)
<b>Military retired pay.</b> . . . .	<b>+ 0.4</b>	<b>+ 0.4</b>
Tennessee Valley Authority. . . . .	+ 5.0	+ 0.4
Farm price supports. . . . .	-	+ 1.0
Mortgage assistance. . . . .	+ 2.0	+ 1.0
Highway trust fund. . . . .	+ 0.4	+ 1.6
Mass transit and rail <b>improvement</b> programs. . . . .	<b>+ 1.4</b>	<b>+ 1.0</b>
Manpower and employment assistance programs. . . . .	+ 4.3	+ 2.5
Medicare and <b>medicaid</b> . . . . .	+ 0.5	+ 2.7
<b>Social security (OASDI)</b> . . . . .	<b>+ 0.7</b>	<b>+ 0.5</b>
Unemployment insurance. . . . .	+ 6.9	+ 2.6
Food stamps. . . . .	+ 2.0	+ 2.0
<b>Public assistance.</b> . . . .	<b>+ 2.0</b>	<b>+ 2.0</b>
Veterans benefits. . . . .	+ 3.4	+ 2.7
New York City seasonal financial assistance. . . . .	+ 2.3	--
Interest on the public debt (net). . . . .	+ .4	+ .4
Offsetting receipts, offshore <b>oil leases.</b> . . . .	<b>+ 5.0</b>	<b>+ 5.0</b>
<b>Withdrawal</b> of proposed energy tax equalization payments. . . . .	<b>- 7.0</b>	<b>- 7.0</b>
Congressional inaction on <b>legislative</b> proposals, including <b>cost-of-living</b> caps and other savings <b>proposals.</b> . . . .	+ 2.3	+ 7.8
Technical adjustment for treatment of <b>long-term</b> contract authority for housing assistance. . . . .	- 9.1	--
<b>All other, net.</b> . . . .	<b>- 3.8</b>	<b>- 1.4</b>
Current estimate as contained in the <b>President's 1977 budget *</b> . . . . .	407.2	372.3

\* Excludes \$1.2 billion for the earned income credit in order to maintain comparability with the original budget request and the second budget resolution.

Table 8, 1976 Budget Authority by Major Function  
(In billions of dollars)

Function	Original Request	Admin. Current Estimate*	Second Budget Resolution	Resolution vs. Current Estimate
National defense . . . . .	107.7	102.3	101.0	- 1.3
International affairs . . . . .	12.6	6.5	6.0	- .5
General science, space and technology . . . . .	4.7	4.7	4.7	--
Natural resources, environment and energy . . . . .	12.2	18.9	18.7	- 0.2
Agriculture . . . . .	4.3	4.1	4.1	--
Commerce and transportation..	6.6	18.6	19.0	0.4
Community and regional development . . . . .	5.2	4.8	9.5	4.7
Education, manpower and social services . . . . .	13.7	19.7	21.3	1.6
Health . . . . .	31.0	32.3	33.6	1.3
Income security . . . . .	135.3	139.1	137.5	-1.6
Veterans benefits and services . . . . .	16.2	19.9	19.9	--
Law enforcement and justice . . . . .	3.2	3.3	3.3	--
General government . . . . .	3.3	3.5	3.3	-0.2
Revenue sharing and general purpose fiscal assistance...	7.3	9.5	7.3	-2.2
Interest . . . . .	34.4	34.8	35.4	0.6
Allowances . . . . .	8.3	0.2	0.5	0.3
Undistributed offsetting receipts . . . . .	-20.2	-15.2	-17.1	- 1.9
Totals . . . . .	385.8	407.2	408.0	0.8

\* Subfunction 252 (earth sciences) is retained to maintain comparability with the original request and the Second Budget Resolution. The earned income credit (\$1.2 billion) is deducted from income security for the same reason.

**Table 9. 1976 Budget Outlays by Major Functions  
(In billions of dollars)**

Function	Original Request	Admin. Current Estimate*	Second Budget Resolution	Resolution vs. Current Estimate
National defense . . . . .	94.0	92.8	91.9	- 0.9
International affairs . . . . .	6.3	5.7	4.9	- 0.8
General science, space and technology . . . . .	4.6	4.6	4.6	--
Natural resources, environ- ment and <b>energy</b> . . . . .	10.0	<b>11.5</b>	<b>11.4</b>	- 0.1
<b>Agriculture</b> . . . . .	<b>1.8</b>	2.9	2.6	- 0.3
Commerce and <b>transportation</b> ..	13.7	17.8	18.3	0.5
Community and regional development . . . . .	5.9	5.8	7.0	1.2
Education, manpower and <b>social</b> services . . . . .	14.6	18.9	20.9	2.0
Health . . . . .	28.0	32.1	32.9	0.8
Income security . . . . .	118.7	127.3	128.2	0.9
Veterans benefits and <b>services</b> . . . . .	15.6	19.0	19.1	0.1
Law enforcement and justice . . . . .	3.3	3.4	3.4	--
General government . . . . .	3.2	3.5	3.3	- 0.2
Revenue sharing and general purpose fiscal <b>assistance</b> ..	7.2	7.2	7.3	0.1
Interest . . . . .	34.4	34.8	35.4	0.6
<b>Allowances</b> . . . . .	8.0	0.2	.8	0.6
<b>Undistributed offsetting receipts</b> . . . . .	<b>-20.2</b>	<b>-15.2</b>	<b>-17.1</b>	<b>- 1.9</b>
Total . . . . .	349.4	372.3	374.9	2.6

\* Subfunction 252 (earth sciences) is **retained** to maintain **comparability** with the original request and the Second Budget Resolution. The earned income credit (\$1.2 billion) is deducted from income security for the same reason.

Table 10. Proposed Rescissions in the 1977 Budget by Major Function  
(In millions of dollars)

Function	Budget Authority		Outlay Impact		
	1976	T.Q.	1976	T.Q.	1977
National defense .....	--	2	--	2	--
International affairs .....	5	3	3	3	2
Natural resources, environment and energy .....	95	7	10	3	10
<b>Agriculture</b> .....	2	*	2	*	--
Commerce and <b>transportation</b> ....	16	4	2	1	21
Community and regional <b>development</b> .....	793	30	34	31	38
Education, manpower and social services .....	1,108	211	201	63	848
<b>Health</b> .....	245	28	56	47	145
Income security .....	40	--	15	25	--
<b>Total</b> .....	2,305	285	322	174	1,064

\* Less than \$500,000

### Transition Quarter

The **Congressional** Budget and Impoundment Control Act of 1974 changed the **federal fiscal** year from July 1 - June 30 to October 1 - September 30 beginning with FY 1977. Thus, a 3-month transition quarter is needed between FY 1976 and FY **1977**. The general **policy** of both the President and the Congress is to **maintain** 1976 program levels through the **transition** quarter and to leave any major changes to federal spending to FY 1977.

In adopting the Second Concurrent **Resolution** on the 1976 budget, the Congress **also** adopted budget targets for the transition quarter. These targets are intended to have the same purpose and effect as the targets **established** in the First Concurrent **Resolution** on the 1976 Budget. The conference managers agreed that these targets will be **established** as ceilings, with such revisions as necessary, for the transition quarter, as part of a Third Concurrent **Resolution** on the 1976 **budget** or as part of the First Concurrent **Resolution** on the **1977** budget, to be adopted by May 15, 1976, whichever occurs earlier.

Tables 11 and 12 show the budget authority and outlays by major function for the **transition** quarter. A **comparision** is made between the **Administration's** current estimate and the congressional transition quarter targets. Generally, the **Administration's** current estimates are within the congressional targets.



**Table 11. Transition Quarter Budget Authority by Major Functions**  
(In billions of dollars)

Function	Original Request	Admin. Current Estimate*	Second Budget Resolution	Resolution vs. Current Estimate
<b>National</b> defense .....	25.2	23.4	24.0	0.6
International affairs .....	1.3	0.9	1.0	0.1
General science, space and <b>technology</b> .....	1.2	1.2	1.2	--
<b>Natural</b> resources, environment and energy .....	2.2	2.3	2.4	0.1
<b>Agriculture</b> .....	0.3	0.3	0.3	
Commerce and <b>transportation</b> ...	1.9	2.4	2.6	0.2
Community and <b>regional development</b> .....	0.5	0.5	1.0	0.5
Education, manpower and <b>social</b> services .....	4.8	4.9	7.0	2.1
Health .....	7.7	8.6	8.6	--
Income security .....	27.6	28.8	28.9	0.1
Veterans <b>benefits</b> and services .....	3.9	4.5	4.7	0.2
Law enforcement and <b>justice</b> ...	0.8	0.8	0.8	
<b>General</b> government .....	0.8	0.9	0.9	—
Revenue sharing and general purpose <b>fiscal assistance</b> ...	2.0	2.0	2.0	
Interest .....	9.3	9.8	10.0	0.2
<b>Allowances</b> .....	1.9	0.2	0.1	-0.1
Undistributed offsetting receipts .....	-3.4	-3.6	-4.4	-0.8
Total .....	88.2	88.1	91.1	3.0

\* **Subfunction** 252 (earth sciences) is retained to maintain comparability with the original request and the Second Budget Resolution.

**Table 12.** Transition Quarter Outlays by Major Functions  
(In **billions** of dollars)

Function	Original Request	Admin. Current Estimate*	Second Budget Resolution	Resolution vs. Current Estimate
National defense . . . . .	25.8	25.0	24.8	- 0.2
International affairs . . . . .	1.6	1.3	1.4	<b>0.1</b>
General science, space and technology . . . . .	1.2	1.2	<b>1.3</b>	0.1
Natural resources, <b>environment</b> and energy . . . . .	<b>3.1</b>	3.2	3.2	--
Agriculture . . . . .	0.4	0.7	0.8	0.1
Commerce and <b>transportation</b> ...	<b>3.5</b>	4.8	5.4	0.6
Community and regional <b>development</b> . . . . .	<b>1.6</b>	1.5	2.1	0.6
Education, manpower and social services . . . . .	3.0	4.4	5.4	<b>1.0</b>
Health . . . . .	7.2	8.3	8.6	0.3
Income security . . . . .	<b>31.2</b>	32.7	34.3	1.6
Veterans benefits and services . . . . .	3.9	4.4	4.8	0.4
Law enforcement and justice . . . . .	0.9	0.9	0.9	--
General government . . . . .	<b>0.8</b>	1.0	0.9	-0.1
Revenue sharing and general purpose fiscal <b>assistance</b> ...	2.0	2.0	2.1	<b>0.1</b>
Interest . . . . .	9.3	9.8	10.0	0.2
Allowances . . . . .	2.1	0.2	0.1	-0.1
<b>Undistributed</b> offsetting <b>receipts</b> . . . . .	<b>-3.4</b>	-3.6	-4.4	-0.8
Total . . . . .	94.3	98.0	<b>101.7</b>	3.7

\* Subfunction 252 (earth sciences) is retained to maintain comparability with the **original** request and the Second Budget **Resolution**.

### 1977 Budget

The President is requesting \$433 **billion** in budget authority and \$394 **billion** in **outlays** for fiscal 1977. This represents an increase of 6.3 percent for budget authority (+ \$25 **billion**) and 5.5 percent for outlays (+ \$21 **billion**) from the **Administration's** 1976 current estimates, a considerably lower rate of increase than in recent years. Compared with the OMB November 10 current services estimates for 1977, however, the **President's** 1977 budget represents a \$20 **billion** reduction in outlays (and a \$16 **billion** reduction in budget **authority**).

The major increases estimated for outlays between 1976 and 1977 are for the Department of Defense (+ \$10 **billion**), **social** security (+ \$10 **billion**), interest (+ \$6.5 **billion**) and medicare and **medicaid** (+ \$3 **billion**). All other spending increases above the 1976 estimated level total \$7.5 **billion**. Offsetting these \$37 **billion** of increases in outlays are \$17 **billion** in **outlay** reductions from 1976 current estimates, as shown in **table** 13. These are scattered across all major functions; the **largest reductions** are for unemployment insurance (- \$2.5 **billion**), mortgage credit -- asset sales (- \$1.9 **billion**), veterans benefits (- \$1.8 **billion**) and off shore oil leases (- \$3.0 **billion**).

Tables 14-16 show the changes proposed by the President from the November 10 current services estimates for **fiscal** year 1977. Very few increases above a current services level are proposed -- defense purchases, foreign aid and energy programs. The major decreases from a current services level are concentrated in income security, **health**, employment and education programs, and federal pay **increases**. The **President's** spending proposals for 1977 are contained in the **last** section of this document.

Table 13. Major Changes in 1977 Budget Authority and Outlays  
from 1976 Current Estimate  
(In billions of dollars)

- 24 -

Major Changes	Budget Authority	Estimated Outlays
1976 current estimate **	407.2	372.3
National defense:		
Department of Defense - military	+15.0	+9.8
Military assistance and other national defense activities	-2.4	-1.4
International affairs:		
Export-Import Bank -- return to budget	+3.3	+1.3
National resources, environment and energy:		
Tennessee Valley Authority	-10.0	*
EPA construction grants	-	+1.4
Energy programs	+0.5	+0.8
Agriculture:		
Farm price supports	-1.9	-0.6
Agricultural credit insurance fund	*	-0.5
Commerce and transportation:		
HUD mortgage insurance, Agriculture rural housing and related programs	-5.0	-1.9
Postal Service payment	-0.2	-0.2
Ground transportation	+4.2	+0.6
Community and regional development:		
Community development grants	+1.4	-0.1
Education, manpower, and social services:		
Temporary employment assistance	-3.3	-1.3
Employment and training assistance	--	-0.6
Education programs	+0.3	-0.6
Job opportunities program	-0.4	*
Social services	-0.3	+0.1
Health:		
Medicare and medicaid	+5.5	+3.0
Other health programs	+0.2	-0.8
Income security:		
Social security	+13.9	+10.0
Federal employee retirement	+2.9	+1.7
Unemployment insurance	+3.5	-2.5
Housing assistance	-2.3	+0.6
Veterans benefits and services	-2.2	-1.8
Revenue sharing and general purpose fiscal assistance:		
NYC seasonal financing	-2.3	--
Interest	+6.5	+6.5
Allowances:		
Civilian agency pay raises and contingencies	+2.4	+2.3
Undistributed offsetting receipts:		
Offshore oil leases	-3.0	-3.0
All other changes, net	-0.3	-1.5
1977 request **	432.8	393.6

\* Less than \$50 million.

\*\* Excludes funds for the earned income credit which the second budget resolution for 1976 deducts from receipts rather than add to BA and outlays.

Source: 1977 Budget of the United States Government.

Table 14. Major Changes in 1977 Budget Authority and Outlays  
from November 10 Current Services Estimates  
(In billions of dollars)

Major Changes	Budget Authority	Estimated Outlays
November 10 current services estimates*...	449.2	413.3
National defense:		
Pay raise and retired pay.....	- 2.9	- 2.9
Other DOD-military.....	+ 4.7	+ 1.4
Military assistance and other national defense activities.....	- 1.1	- 0.5
International affairs:		
Foreign economic and financial aid.....	+ 1.9	+ 0.9
Export-Import Bank.....	+ 1.1	- 0.4
Natural resources, environment, and energy:		
Energy programs.....	+ 0.6	+ 0.2
EPA construction grants.....	--	- 0.6
Agriculture:		
Price support and other farm income stabilization.....	**	- 0.6
Commerce and transportation:		
HUD mortgage insurance, Agriculture rural housing and other related programs.....	- 0.3	- 1.2
Postal Service payment.....	- 0.3	- 0.3
Ground transportation.....	+ 0.9	- 0.2
Community and regional development:		
Community development grants.....	+ 0.7	- 0.5
Education, manpower, and social services:		
Temporary employment assistance.....	- 2.2	- 1.2
Education programs.....	- 0.4	- 0.8
Health:		
Medicare.....	+ 0.6	- 2.0
Other health programs.....	- 0.2	- 1.3
Income security:		
Social security.....	+ 3.0	- 1.8
Unemployment insurance.....	- 2.0	- 2.5
Food stamps.....	- 2.6	- 2.6
School lunch and other nutrition programs.....	- 0.9	- 0.6
Public assistance.....	- 0.5	- 0.5
Housing assistance.....	-14.2	- 0.1
Federal employee retirement.....	- 1.2	- 0.3
Veterans benefits and services.....	- 0.7	- 0.8
Allowances:		
Civilian agency pay raises.....	- 2.0	- 2.1
Contingencies.....	- 1.2	- 0.5
Undistributed offsetting receipts:		
Offshore oil leases.....	+ 2.0	+ 2.0
All other changes, net.....	+ 0.8	+ 0.1
1977 request *.....	432.8	393.6

\* Excludes funds for the earned income credit which the second budget resolution  
for 1976 deducts from receipts rather than add to BA and outlays.

\*\* Less than \$50 million.

Source: 1977 Budget of the United States Government and Current Services  
Estimates for Fiscal Year 1977.

Table 15. 1977 Budget Authority by Major Function  
(In billions of dollars)

Function	1976 Current Estimate	1977 Current Services Estimates	1977 Request	Change from Current Services
National defense .....	102.3	114.2	114.9	0.7
International affairs .....	6.5	6.8	9.7	2.9
General science, space and technology .....	4.7	4.5	4.6	0.1
Natural resources, environment and energy .....	18.9	8.7	9.7	1.0
Agriculture .....	4.1	2.2	2.3	0.1
Commerce and transportation .....	18.6	17.4	17.9	0.5
Community and regional development .....	4.8	5.1	5.8	0.8
Education, manpower and social services .....	19.7	18.6	15.9	-2.7
Health .....	32.3	37.7	38.0	0.4
Income security * .....	139.1	175.3	157.1	-18.2
Veterans benefits and services .....	19.9	18.3	17.7	- 0.7
Law enforcement and justice .....	3.3	3.2	3.3	0.1
General government .....	3.5	3.4	3.5	0.1
Revenue sharing and general purpose fiscal assistance .....	9.5	7.3	7.3	
Interest .....	34.8	41.9	41.3	- 0.6
Allowances .....	0.2	5.8	2.6	- 3.2
Undistributing offsetting receipts .....	-15.2	-21.2	-18.8	2.4
<b>Total .....</b>	<b>407.2</b>	<b>449.2</b>	<b>432.8</b>	<b>-16.4</b>

\* Excludes funds for the earned income credit which the second budget resolution for 1976 deducts from receipts rather than add to BA and outlays.

Source: 1977 Budget of the United States Government and Current Services Estimates for Fiscal 1977 prepared by OMB.

Table 16. 1977 Budget Outlays by Major Function  
(In billions of dollars)

Function	1976 Current Estimate	1977 Current Services Estimates	1977 Request	Change from Current Services
National defense . . . . .	92.8	103.1	101.1	-2.0
International affairs . . . . .	5.7	6.4	6.8	0.4
General science, space and technology . . . . .	4.3	4.6	4.5	-0.1
Natural resources, environment and energy . . . . .	11.8	14.1	13.8	-0.3
Agriculture . . . . .	2.9	2.2	1.7	-0.5
Commerce and transportation . . . . .	17.8	18.1	16.5	-1.6
Community and regional development . . . . .	5.8	6.2	5.5	-0.7
Education, manpower and social services . . . . .	18.9	18.4	16.6	-1.8
Health . . . . .	32.1	37.7	34.4	-3.3
Income security . . . . .	127.3	144.9	136.5	-8.4
Veterans benefits and services . . . . .	19.0	18.0	17.2	-0.8
Law enforcement and justice . . . . .	3.4	3.3	3.4	0.1
General government . . . . .	3.5	3.5	3.4	-0.1
Revenue sharing and general purpose fiscal assistance . . . . .	7.2	7.3	7.4	0.1
Interest . . . . .	34.8	41.9	41.3	-0.6
Allowances . . . . .	0.2	4.8	2.3	-2.5
Undistributed offsetting receipts . . . . .	-15.2	-21.2	-18.8	2.4
Total . . . . .	372.3	413.3	393.6	-19.7

\* Excludes funds for the earned income credit which the second budget resolution for 1976 deducts from receipts rather than add to BA and outlays.

Source: 1977 Budget of the United States Government and Current Services Estimates for Fiscal 1977 prepared by OMB.

### Five-Year Projections

The five-year budget **projections** for 1977-81 contained in the President's budget show outlays **rising** by an average of 6.6 percent a year, from \$394 **billion** to **\$510 billion**. The **Congressional** Budget Office has prepared five-year projections of the budget for the same period based on maintaining the spending policies embodied in the Second Concurrent **Resolution** on the 1976 budget. <sup>\*/</sup> The CBO projections show outlays rising to about \$562 billion in 1981, or an average increase of 8.4 percent. Thus, the President's budget proposes a slower rate of growth of **federal** spending over the next five years than would **result** from **maintaining** current spending **policies**.

In addition, the President's budget projects a shift in the relative composition of federal spending over the next five **years**. The **relative** share of the budget **allocated** to national defense would rise to 28 percent in 1981. The CBO projections show national defense **outlays main-** taining the current 25 percent share of the budget throughout the five-year period. Nondefense spending as a share of total outlays **would decline** from 75 percent to 72 percent by 1981 under the **President's** budget projections. This relative change would be concentrated in grants to State and **local** governments (for other than payments for **individuals**) and in net interest.

---

<sup>\*/</sup> The CBO is required by the Congressional Budget Act to make five-year budget **projections** as soon as practicable after the beginning of each fiscal year. The first CBO projections **report** will be issued during the week of January 26. The CBO report **contains** two sets of projections based on alternative economic assumptions. The numbers shown in table 17 represents the average of the two sets of projections.



Table 17. Five-Year Budget Projections, 1976-81

A. Outlays in billions

	1976	1977	1978	1979	1980	1981
<hr/>						
President's budget *						
National defense .....	93	101	113	122	132	143
All other .....	279	293	317	334	350	367
Total outlays .....	372	394	430	456	482	510
<hr/>						
CBO projections						
National defense .....	92	103	115	119	129	138
All other .....	283	319	342	369	395	424
Total outlays .....	375	422	457	488	524	562
<hr/>						

B. Percentage distribution of outlays

<hr/>						
President's budget *						
National defense .....	25	26	26	27	27	28
All other .....	75	74	74	73	73	72
Total outlays .....	100	100	100	100	100	100
<hr/>						
CBO projections						
National defense .....	25	25	25	25	25	25
All other .....	75	75	75	75	75	75
Total outlays .....	100	100	100	100	100	100
<hr/>						

\* Funds for the earned income credit are excluded from the President's projections in 1976 and 1977 in order to achieve comparability with the CBO projections.



## FEDERAL RECEIPTS

Federal receipts as a percentage of Gross National Product (GNP) have remained remarkably steady during the past two decades. Total budget receipts amounted to 19.2 percent of GNP in 1954 and are estimated to equal 19.1 percent of GNP in the President's budget for fiscal 1977. Receipts fell to their lowest level--16.8 percent of GNP--during the 1959 recession and reached their highest level--20.5 percent of GNP in 1969.

However, in recent years the composition of receipts has changed markedly. As shown in Table 18, the share of revenues from the individual income tax has remained about the same over the last ten years. But revenues from the corporate profits tax have declined sharply as a percentage of GNP, while social insurance taxes and contributions have risen as a proportion of the total.

Under the President's tax proposals, the corporate share will decline further in the period 1977-81, while the individual income tax share will increase still more. Total Federal receipts as a percentage of GNP will also increase somewhat (Table 18).

Since the President's tax recommendations involve matters of some controversy, they may not all be enacted. Consequently, it is worth examining them along with some of the alternative that the Congress may wish to consider.

### Individual and Corporate Tax Reduction

In the Revenue Adjustment Act of 1975 (P.L. 94-164), Congress approved tax reductions for individuals and corporations amounting to \$18 billion at an annual rate (the provisions actually apply only to the first half of

TABLE 18. Federal Revenue by Source, Selected Fiscal Years 1967-75, and Estimates for Fiscal Years 1976-81  
(Dollar amounts in billions)

Revenue source	P r o j e c t i o n s								
	1967	1972	1975	1976 estimate	1977 estimate	1978	1979	1980	1981
Individual income tax	\$ 61.5	\$ 94.7	\$122.4	\$130.8	\$153.6	\$184.0	\$218.4	\$252.8	\$287.3
Corporate profits tax	34.0	32.2	40.6	40.1	49.5	54.5	59.8	65.9	71.7
Social insurance taxes and contributions	33.3	53.9	86.4	92.6	113.1	130.8	147.2	162.1	181.6
Excise taxes	13.7	15.5	16.6	16.9	17.8	18.4	18.8	19.2	19.6
Estate and gift taxes	3.0	5.4	4.6	5.1	5.8	6.4	7.2	8.0	8.9
Customs duties	1.9	3.3	3.7	3.8	4.3	4.8	5.4	6.0	6.6
Miscellaneous receipts	<u>2.1</u>	<u>3.6</u>	<u>6.7</u>	<u>8.3</u>	<u>2.2</u>	<u>7.8</u>	<u>8.5</u>	<u>9.2</u>	<u>9.8</u>
Total revenue	\$149.6	\$208.6	\$281.0	\$297.6	\$351.3	\$406.7	\$465.3	\$523.1	\$585.4
Revenue as percentage of GNP									
Individual income tax	8.0	8.5	8.5	8.1	8.4	8.9	9.4	9.8	10.2
Corporate profits tax	4.4	2.9	2.8	2.5	2.7	2.6	2.6	2.6	2.5
Social insurance taxes and contributions	4.3	4.8	6.0	5.7	6.2	6.3	6.4	6.3	6.4
Excise taxes	1.8	1.4	1.2	1.0	1.0	.9	.8	.7	.7
Estate and gift taxes	.4	.5	.3	.3	.3	.3	.3	.3	.3
Customs duties	.2	.3	.3	.2	.2	.2	.2	.2	.2
Miscellaneous receipts	<u>.3</u>	<u>.3</u>	<u>.5</u>	<u>.5</u>	<u>.4</u>	<u>.4</u>	<u>.4</u>	<u>.4</u>	<u>.3</u>
Total receipts	19.3	18.8	19.5	18.4	19.1	19.7	20.1	20.3	20.8

Source: U. S. Office of Management and Budget, Budget Review Division, "Federal Government Finances," (processed; February 1975) and The Budget of the United States Government, Fiscal Year 1977 (1976).

Note: Details may not add to totals because of rounding.

Congressional Budget Office  
Tax Analysis Division  
January 1976

**calendar** 1976). The President has proposed adding to this another **\$10 billion** beginning July 1, 1976, contingent upon approval by Congress of an equivalent amount in spending reductions.

Even if there is agreement between Congress and the President on the appropriate overall size of corporate and individual tax cuts, there may not be agreement on the form those tax cuts should take. The cuts proposed by the President would grant nearly all of the **relief** to corporations and individuals having incomes of more than \$7,500 through such proposals as an increase in the personal exemption from \$750 to \$1,000, **elimination** of the earned income credit or "work bonus," reduction of the corporate tax rate to **46** percent, new stock ownership incentives, accelerated depreciation in areas of high unemployment, and integration of the corporate and individual income taxes (beginning in calendar 1978). Congress may prefer to provide some of the individual tax relief to **lower-income** taxpayers -- as was done in the two tax cut bills in 1975 -- for example, by continuing the earned income credit and expanding the present \$35 per exemption tax credit.

#### Social Insurance Taxes and Contributions

The President has proposed a .6 percent increase in the social security payroll tax rate (.3 percent on employees and .3 percent on the **employers**), effective January 1, **1977**. This would increase FY 1977 receipts by **\$3.3 billion**. In addition, increases in the social security wage base scheduled under current law for calendar 1976 and 1977 will increase FY 1977 receipts by another **\$3.2 billion**. Finally, the President has proposed increases in the unemployment insurance tax rate and wage base which would increase FY 1977 receipts by another **\$2.1 billion**.

Taken together, this \$8.6 billion increase in social insurance taxes and contributions offsets most of the \$10 billion additional cut in individual and corporate income taxes the President has proposed for FY 1977.

The President's request for a .6 percent increase in the social security payroll tax rate is based on the assumption in the 1975 Social Security Trustee's Report that the Social Security Trust Fund will be depleted by 1981 without such an increase. However, based on the economic assumptions for 1977~81 in the President's Budget and CBO's current services projections, the Trust Fund may not be depleted as rapidly as was initially estimated. Depending on how large a reserve Congress wishes to maintain in the trust fund, it may be possible to postpone the increase until economic recovery is further along and it can be integrated with a new long-range financing plan for the social security system.

Distribution of Individual Income and  
Payroll Tax Burdens under Present Law  
and the President's Proposals

As indicated above, the President's proposals for income and payroll tax changes will have a significant impact on the distribution of tax burdens among persons at different income levels. As shown in Table 19, the President's income tax proposals would increase the income tax burden on those with incomes below \$5,000 by \$.3 billion in calendar 1977, compared with the tax they would pay if the changes in the Revenue Adjustment Act of 1975 were extended and made permanent.

In addition, the **President's** proposal for a 0.3 percent increase in the social security **payroll** tax would add nearly \$150 **million** more to the calendar 1977 tax burden of those making under \$5,000 (\$300 million if employees are assumed to bear the employer's 0.3 percent share as well).

Those taxpayers with incomes over \$25,000, by contrast, would receive an additional income tax reduction of over **\$2.4 billion** under the President's proposals, which would be only partially offset by a \$600 **million payroll tax increase.**

As shown in Table 19, the effective combined income and **payroll** tax rate for those with incomes below \$5,000 would be **increased** by .75 percentage points under the **President's** proposals; those with incomes of \$5,000 to \$15,000 would experience an increase of nearly 1 percentage point (almost all of the decrease would benefit those with incomes of \$7,500 to \$15,000); while those with incomes greater than \$15,000 would experience effective rate reductions of somewhat less than 1 percentage point.

Three provisions of the **President's** individual income and social security tax proposals account for these differences in the tax burdens on persons at different income levels:

- (1) The proposal that the \$750 personal exemption be increased to \$1,000 and that the \$35 per person tax credit **in** the Revenue Adjustment Act be repealed. Since increases in the exemption are worth **proportionately** more in tax savings to those in higher tax **brackets--while** credits are worth the same amount in tax savings to taxpayers in all **brackets--the** benefits from this change favors those with higher incomes;

- (2) The proposed repeal of the earned income **credit**, which refunds 10 percent of their incomes to **low-income** workers with children, and
- (3) The proposed 0.3 percent increase in the social security **payroll** tax workers must pay (with an identical 0.3 percent increase paid by employers, the effect of which is not included in Table 19).



TABLE 19. Comparison between Individual Income and Social Security Payroll Taxes under Existing Law and the President's Proposals, by Adjusted Gross Income Classes, Calendar Year 1977

(Dollar amounts in billions)

Adjusted gross income class (\$ thousands)	Existing law <sup>a/</sup>			President's proposal <sup>b/</sup>			Difference (equals President's proposal minus existing law)		
	Indivi- dual	Social security		Indivi- dual	Social security		Indivi- dual	Social security	
	income tax	payroll tax	Total	income tax	payroll tax	Total	income tax	payroll tax	Total
0-3	-.1	1.2	1.2	d/	1.3	1.4	.1	.1	.2
3-5	.6	1.8	2.4	.8	1.9	2.7	.2	.1	.3
5-10	10.8	8.4	19.2	9.2	8.8	18.0	-1.5	.4	-1.1
10-15	20.6	12.1	32.7	18.0	12.7	30.6	-2.6	.6	-2.0
15-20	27.8	13.3	41.1	25.5	14.0	39.4	-2.3	.7	-1.6
20-25	24.7	9.0	33.7	23.0	9.4	32.5	-1.6	.4	-1.2
25-50	46.3	10.2	56.5	44.5	10.7	55.2	-1.8	.5	-1.3
50-100	21.2	1.4	22.6	20.8	1.5	22.3	-.4	.1	-.4
100 and over	20.4	.3	20.7	20.2	.4	20.6	-.1	d/	-.1
All classes <sup>c/</sup>	172.3	57.7	230.0	162.0	60.6	222.7	-10.2	2.9	-7.3
Tax as a percentage of adjusted gross income									
0-3	-.4	5.5	5.1	d/	5.8	5.8	.5	.3	.8
3-5	1.6	4.9	6.5	2.2	5.2	7.3	.6	.3	.8
5-10	6.7	5.2	11.9	5.8	5.5	11.3	-.9	-.3	-.7
10-15	9.6	5.6	15.2	8.4	5.9	14.2	-1.2	.3	-1.0
15-20	11.5	5.5	17.0	10.5	5.8	16.3	-1.0	.3	-.7
20-25	13.4	4.9	18.3	12.6	5.1	17.7	-.9	.3	-.6
25-50	17.0	3.8	20.8	16.4	3.9	20.3	-.7	.2	-.5
50-100	26.6	1.7	28.3	26.0	1.8	27.9	-.5	.1	-.4
100 and over	38.1	.6	38.7	37.8	.6	38.5	-.2	d/	-.2
All classes <sup>c/</sup>	13.6	4.6	18.2	12.8	4.8	17.6	-.8	.2	-.6

Source: Based on 1972 Internal Revenue Individual Tax Model with population and incomes projected to 1977 levels.  
Note: Details may not add to totals because of rounding.

<sup>a/</sup>

Existing individual income law is assumed to be that in effect on January 1, 1976; the existing social security tax rate is 5.85% on the first \$16,500 of taxable earnings.

<sup>b/</sup>

The President's individual income tax proposals are those presented in the Fiscal 1977 Budget; the payroll tax rate is 6.15% each on employees and employers.

<sup>c/</sup>

Includes negative incomes not shown separately.

<sup>d/</sup>

Less than \$500 million or half of 1 percent

Congressional Budget Office  
Tax Analysis Division

January 1976



## THE BUDGET AND THE ECONOMY

A **federal** budget inescapably provides some degree of stimulus or restraint to the economy. This section analyzes the 1977 budget from this fiscal **policy** viewpoint. It first discusses what is likely to happen to the economy if the federal budget adheres to "current **policy**" **levels--that** is, continues current tax **laws** and current spending programs without any cutbacks or new initiatives. The most **likely** economic outcome under a current services budget is projected to be a continuation of growth in 1976 and **1977** but with unemployment and **inflation** still remaining well above their average levels in the 1950s and 1960s.

Next comes a comparison of the **President's** proposed budget with a current policies budget. On **balance**, the Administration budget provides more fiscal restraint than a current **policies** budget. **Finally**, there is an analysis of what is **likely** to happen to the economy if the Administration budget rather than a current policies budget is adopted. The conclusion is that there would be **less** growth **immediately** and less inflation in later years under the Administration budget. During fiscal year 1977, there would **probably** be **little** improvement in the unemployment rate. Gains on the **inflation** front would not show up in 1977, but within a few years the annual rate of inflation might be slowed by 0.3 or 0.4 percent if the Administration budget were adopted instead of a current **policies** budget.

There is much uncertainty surrounding all of these projections. The economic **outlook** depends not only on fiscal policy but on monetary **policy**, developments in **world** food and petroleum **markets**, consumer decisions with respect to saving and spending, and a host of other factors. The conclusions reached in this section depend on assumptions about each of these factors. The assumptions are **believed** to be **plausible** ones, but they are not the only **plausible** assumptions and they **will** be revised if new data indicates that they are inaccurate. The analysis could therefore either understate or overstate the impact of the Administration budget on the economy.

### The Economic Outlook

The economy underwent sharp changes in 1975. The unprecedented downswing early in the year was followed by a nearly unprecedented one-quarter growth in the third quarter and then by more moderate growth toward the end of the year. The employment **situation** mirrored these phases of economic growth. Early in the year employment dropped and the unemployment rate reached a May peak of about 9 percent, the highest rate since the Great Depression. The **middle** of the year brought a sharp improvement in output and **employment**, with the unemployment rate **falling** to 8.4 percent in July.

The number of jobs continued to grow after July but job growth was nearly offset by an increase in the number of people seeking work, either entering the labor force for the first time or **reentering** as jobs began to become available again. After July, therefore, there was much less improvement in the unemployment rate. December's

8.3 percent was **only** one-tenth of a percentage point **below** the July rate and still high in comparison to any month in the last thirty years except those of the preceding recession.

The rate of inflation dropped significantly **early** in the year, **partly** because of the recession and partly because of favorable developments in food and fuel markets. Even after this **improvement**, however, the rate of **inflation** remained high relative to its average over the last two **decades**. At the end of the year **declines** in food prices led to some favorable reports on **inflation**. The **declines** for food seemed **unlikely** to continue, however, and the inflation rate for nonfood prices remained in the range of 5 to 7 percent per year.

The outlook for 1976 is for a continuation of growth at the 5 to 7 percent annual rate of recent months, with inflation also at a 5 to 7 percent rate. In **1977** growth is expected to slow **slightly** while **inflation** is expected to remain at its **1976** rate. This projection is based on the following assumptions:

1. a federal budget at current **policy levels--that is**, a budget that continues present tax laws and **outlay** programs with no new initiatives or cutbacks or changes in efficiency;
2. a rate of monetary growth (demand deposits and currency) of 7 percent per year, close to the upper end of Chairman **Burns'** announced targets;
3. no further sharp increases in food and fuel prices;
4. accelerating growth in exports as other **industrial** countries recover from the **worldwide** recession;
5. a slower rate of growth in state and **local** government expenditures than in the past (in constant dollars).

Under these assumptions both the federal budget and state and **local** spending contribute only **slightly** to **overall** growth. Business spending plans for plant and equipment indicate that **capital** spending also will not add much to growth in the early quarters of 1976, but it is projected as beginning to recover in **late 1976**. Exports are projected as rising significantly, but the rise is matched by a recovery-induced rise in imports with the result that there is **little** net contribution to growth from foreign **transactions**.

One of the sources of growth is housing, which is projected to continue its jagged upward movement as long as interest rates remain **low**. Consumer spending also contributes to growth under the **influence** of rising incomes and some improvement in consumer confidence. **Finally**, inventory investment is projected as growing moderately.

The unemployment rate should improve moderately under these growth conditions. It seems **likely**, however, that the unemployment rate **will** remain above 7 percent during **all** of 1976 and **still** be above 6.5 percent at the end of 1977.

The rate of inflation, as measured by the comprehensive GNP price index, is projected as increasing at a 5 to 7 percent **annual** rate **through** 1977. Inflation is **influenced** by past cost changes and by expectations of future price rises as **well** as by the current degree of **slack--excess** capacity and unemployment--in the economy. Economic slack is working in the direction of less inflation; but past and expected future cost increases are sufficiently large to

TABLE 20--SELECTED ECONOMIC FORECASTS, 1976 AND 1977

	1976 4th Quarter	1977 4th Quarter	1976 Entire Year	1977 Entire Year
GNP IN CONSTANT DOLLARS; PERCENT CHANGE FROM A YEAR AGO				
Chase	+5.8	+3.6	+6.7	+4.7
DRI	+5.9	+4.7	+6.2	+5.3
Wharton	+4.8	+4.2	+5.9	+4.2
Administration	--	--	+6.2	+5.7
GENERAL PRICE INDEX (GNP deflator); PERCENT CHANGE FROM A YEAR AGO				
Chase	+6.0	+7.7	+5.5	+7.1
DRI	+6.2	+6.0	+6.2	+6.0
Wharton	+5.5	+4.6	+5.6	+5.0
Administration	+5.9	+6.3	+5.9	+6.2
UNEMPLOYMENT RATE (percent)				
Chase	7.4	7.4	7.7	7.3
DRI	7.1	6.4	7.5	6.6
Wharton	7.9	7.3	8.1	7.5
Administration	--	--	7.7	6.9

SOURCES: Chase Econometrics, Inc.; Data Resources, Inc.; Wharton Econometric Forecasting Associates; U.S. Office of Management and Budget.

keep the projected rate of **inflation** above its historical averages in spite of widespread excess capacity and high **unemployment**.

A number of recent economic forecasts are compared in Table 20. Broadly speaking the forecasts are similar to one another and to the projections just described. **All** of the forecasts agree in projecting unemployment rates and **inflation** rates through **1977** that are well above averages of the **1950s** and **1960s**.

#### The President's Budget and a Current **Policies** Budget

Overall, the Administration budget provides for more economic restraint than a current **policies** budget. This is not true of each budget account, however; the detailed differences between the two budgets are a mixture of contractionary and expansionary components. Differences between the two, furthermore, are affected by the facts that (a) the base budget used to measure current **policies** is the fiscal year **1976** budget in the second concurrent resolution rather than the **Administration's** 1976 budget and (b) current policies outlays are adjusted upwards to cover **probable** price **increases**, even where price adjustments are not in the basic authorizing **legislation**. Without these two features, a current **policies** budget would be closer to the Administration budget.

On the revenue side, the Administration budget is on the **whole** more expansionary than a current policies budget. The **Administration**



budget **calls** for **personal** and corporate income tax cuts in **mid-1976** amounting to about **\$11 billion** more than **simple** extension of the 1975 tax cuts. This expansionary move is **partly**, but not **wholly**, offset by proposed increases in **social** security and unemployment insurance taxes of \$5 billion on January 1, 1977. The **social** security tax increase is **accomplished** by raising both employer and **employee** contribution rates by 0.3 percent, causing the combined rate to rise from **11.7** percent to **12.3** percent.

On the outlay side, the **Administration** budget is more restrictive than a current **policies** budget. While outlays under the two budgets are compared elsewhere in this report, it is **useful** to summarize differences here using the **national** income categories and definitions which are most useful in measuring fiscal impact.

Among **national** income categories, the **largest** difference on the **outlay** side is in transfer payments to **persons--social** security, health care, food stamps, and other nonwage payments. The Administration proposes transfer payments of \$168 billion in **fiscal year 1977** compared to current **policies** projections of about **\$185 billion**. For defense purchases, the **Administration's** proposed \$93 billion is **slightly** below the current **policies** estimate of **\$95 billion** because of proposed restraint on federal pay increases. For nondefense purchases the Administration proposes **\$47 billion** compared to a current **policies** estimate of **\$52 billion**, while for **grants-in-aid** the Administration proposes **\$59 billion** compared to **\$66 billion** under current

**policies.** Interest payments are the same under the Administration and current policies budgets. Table 21 compares **outlays** under the Administration and current policies budget.

The deficit in the **President's** budget is estimated at \$43 billion for fiscal year 1977 (\$40 billion on a national income accounting basis). For a current **policies** budget based on the same **economic assumptions** as the **President's**, the deficit is estimated at roughly \$60 billion. Both of these are below the 1976 deficit, which is estimated to be **approximately \$75 billion.**

The difference of \$17 billion between the **Administration's** 1977 estimate of \$43 billion and the current **policies** estimate of \$60 billion reflects mainly the greater stimulus in the current **policies** budget. This is not the **only** factor at work, however; there are a number of **technical differences** in the way federal revenues are estimated, resulting in a somewhat **larger** revenue total (and hence a smaller deficit) for a given set of economic assumptions in the current policies **estimates** than in the Administration estimates.

Both estimates are **highly** sensitive to economic **conditions.** A growth rate **low** enough to raise the unemployment rate one percentage point above the Administration assumption **would** raise both **deficit** estimates by roughly \$16 billion; conversely, a higher growth rate would lower the estimates.

TABLE 21--FEDERAL OUTLAYS, 1976 AND 1977  
(billions of dollars)

	Fiscal Year 1976	Transition Quarter	Fiscal Year 1977
PURCHASES OF GOODS AND SERVICES FOR NATIONAL DEFENSE			
Current Policies	87	23	95
Administration	87	22	93
PURCHASES OF GOODS AND SERVICES, EXCEPT NATIONAL DEFENSE			
Current Policies	44	12	52
Administration	43	12	47
TRANSFER PAYMENTS			
Current Policies	160	42	185
Administration	159	40	168
GRANTS IN AID			
Current Policies	60	16	66
Administration	58	15	59
INTEREST PAYMENTS			
Current Policies	26	7	32
Administration	26	7	32
OTHER			
Current Policies	5	1	4
Administration	6	2	6

SOURCES: U.S. Congressional Budget Office, Five-Year Budget Projections, Fiscal Years 1977-81; U.S. Office of Management and Budget, Budget of the United States, January 1976.

NOTES: All figures in the table are based on **national** income and product **definitions** and concepts, which differ **slightly** from those in the unified budget. It is the **national** income and product figures which are **generally** used in gauging the fiscal impact of the federal budget.

The current policies estimates for 1977 are the **lower** of two sets of estimates prepared by CBO (the "Path B" projections).

The Economic Impact of the President's  
Budget

By reducing federal spending below a current policies level, the **President's** budget leads to less growth than a current policies budget in 1976 and **especially** in 1977. The proposed tax reductions offset some of the effects of the spending reduction; but the spending effects are more important. During **calendar** year 1976, growth in national output (**constant-dollar** GNP) is estimated as nearly **1** percentage point **lower** under the Administration budget. During 1977, the **Administration** budget is estimated as **lowering** output growth by another two-thirds of a percentage point. As a result of these reductions in the growth of output, the **unemployment** rate is estimated as 0.6 percentage points higher (representing approximately 600,000 workers) by the end of 1977. These estimates are shown in Table 22. Very **little** improvement **is** projected in the unemployment rate during **1977** under the **Administration** budget.

The gain in terms of the inflation rate **would** not develop as early as **1977**. The Administration budget would have an immediate **favorable** impact on the rate of inflation because of the smaller increase in federal pay than under a current policies budget. Offsetting this gain **would** be an adverse impact in the short run for two **reasons**:

TABLE 22--ESTIMATED ECONOMIC IMPACT OF THE ADMINISTRATION BUDGET

	1975:4 to 1976:4	1976:4 to 1977:4	1979 to 1980
EFFECT OF THE ADMINISTRATION BUDGET, COMPARED TO A CURRENT POLICIES BUDGET, ON:			
Rate of Growth, GNP in constant <b>dollars</b> , percentage <b>points</b>	-0.9	-0.7	--
Rate of Inflation, general price index (GNP <b>deflator</b> ), percentage points	0	0	-0.3 to -0.4
<b>Unemployment</b> Rate, percentage points	+0.3	+0.6	--

NOTE: These estimates are based on comparisons of forecasts assuming enactment of the Administration budget with forecasts assuming enactment of a current policies budget. They are based on several econometric models. The first figure in the table, -0.9, means that GNP in constant **dollars** is estimated to grow by **0.9** percentage points less from the fourth quarter of 1975 to the fourth quarter of 1976 under the Administration budget than under a current **policies** budget. Table 20 presents several estimates of what the growth rate (and the other variables in the table) **will** be during this period, and the impact figures in this table can be compared to those estimates.

(1) by lowering growth it could reduce productivity gains and **lead** to a faster rise in unit labor **costs**, and (2) by increasing payroll taxes, it could cause employers to pass **along** part of the tax burden in the form of higher **prices**. **Eventually**, however, the **lower** growth would serve to reduce the rate of **inflation**. A **plausible** estimate is that by **1980** the rate of inflation might be 0.3 to 0.4 percentage points **lower--that** is, 4.6 or 4.7 percent if the inflation rate would otherwise be 5 percent--under the **Administration's 1977** budget as compared to a current **policies** budget.

Once more, it is important to realize the uncertainty surrounding all of these estimates. The view that federal spending cuts are **generally** contractionary and tax cuts generally stimulative is a **widely held** view among economists but it is not unanimous. Even among those who agree with that view, furthermore, there are differences of opinion about the degree to which a given spending change or tax change affects the **level** of output. There is **still** more disagreement about the price effects of changes in government **deficits**. The estimates of **fiscal** impact presented in this section were arrived at after **careful** consideration and evaluation of different views, but they inevitably **fall** short of a precise set of measurements on which **all** experts would agree.

## THE BUDGET BY FUNCTION

### NOTES

The source for the budget authority and **outlay** figures in the **following tables**, except for the second budget **resolution numbers**, are derived from the **President's** 1976 and 1977 budgets and the OMB November 10 current services estimates.

**Details in tables** may not add to **totals** due to rounding.

Function 050

NATIONAL DEFENSE

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual.....	91.9	86.6
1976 original request.....	107.7	94.0
1976 current estimate.....	102.3	92.8
1976 Second Budget Resolution.....	101.0	91.9
T.Q. original request.....	25.2	25.8
T.Q. current estimate.....	23.4	25.0
T.Q. Second Budget Resolution.....	24.0	24.8
1977 current services estimate.....	114.2	103.1
1977 request.....	114.9	101.1

B. Function and Subfunction  
(\$ millions)

	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget Authority</u>				
DOD, Military...	85,812	96,202	109,490	111,250
Military Assistance.....	5,656	4,502	2,911	2,516
ERDA, Defense Activities —	1,484	1,661	1,867	1,943
Defense Related Activities..	-1,024	- 63	- 51	- 802
Deductions for Off. Rcpts...	- 4	- 3	*	- 3
Total, budget authority	91,925	102,299	114,213	114,905
<u>Outlays</u>				
DOD, Military.....	85,020	89,763	101,015	99,561
Military Assistance.....	999	1,437	291	539
ERDA, Defense Activities —	1,506	1,621	1,814	1,833
Defense Related Activities..	- 936	- 59	- 54	- 801
Deductions for Off. Rcpts...	- 4	- 3	*	- 3
Total, outlays	86,585	92,759	103,066	101,129

\* less than \$500,000



NATIONAL DEFENSE

C. Major Changes From 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate.....	102,299	92,759
Increased procurement.....	+8,104	+3,368
Increased operations & maintenance...	+3,057	+2,416
Increased compensation for military and civilian personnel.....	+1,433	+1,390
Increased research & development.....	+1,391	+1,328
Increased military retired pay, net..	+1,056	+1,063
Reduction in reserve forces pay, training & manpower.....	-144	-130
Proposed legislation.....	+163	+150
Reduction in military assistance.....	-1,986	-898
Increased defense ERDA activities.....	+282	+212
Proposed sale of strategic stockpile materials.....	-746	-746
Reduction in Selective Service System.....	-31	-33
Other.....	+27	-250
1977 request.....	114,905	101,129

Procurement -- Increases in **Military** Procurement account for nearly two-thirds of the requested increase between FY 76 and FY 77. This increase results primarily from production of the Trident I missile, a \$2.3 billion increase in the Navy shipbuilding request, a \$.3 billion increase in Army communications and electronic equipment, and initial production of the B-1 bomber and F-16 fighter.

Operations and Maintenance -- The requested increase in operations and maintenance has been held to \$3.1 billion by:

- phase out of the commissary subsidies (-\$110 million)
- reduction of 26,000 civilian personnel (-\$100 million)
- anticipated base realignments

Allowance for Pay Raises -- The President's budget proposal for military and civilian pay raises in FY 77 is \$1.4 billion. This is \$2.7 billion below the estimated cost of pay raises under the assumptions of an 11.5% federal comparability pay increase and a 9.4% wage board increase. The Rockefeller Commission's proposals on

federal pay comparability **result** in an estimated comparability pay raise of 6.3% vice the 11.5%. In addition, the **President's** budget reflects a 4.7% cap on **military** and civilian **general** schedule pay increases and a 3.4% cap on wage board increases. The latter pay cap requires **legislation** in order to take effect. The President also plans to submit **legislation** which will provide that 25% of the pay raise for military personnel be put in the allowance for quarters. Since **military personnel** who live in military housing do not receive a **quarter's allowance**, the legislation will result in a reduction of \$44 million in the cost of the proposed military pay raise. Finally, \$.2 billion of the cost of pay raises is not included in the allowance for civilian and military pay raises.

Cost Assuming 11.5% federal comparability and	
9.4% Wage Board .....	4.1
Rockefeller Commission Proposals on Comparability	
Computation .....	-1.8

---

Cost Assuming 6.3% federal comparability and 9.8%	
Wage Board .....	2.3
Wage Board pay cap (3.4%) .....	-.2
<b>Military and Civilian General</b> Schedule pay cap .....	-.5
Legislation on the allocation of <b>military</b> pay	
raise to housing .....	-*

---

Cost of pay increases in President's budget .....	1.6
Pay raise not included in allowance .....	-.2

---

President's proposal for <b>military</b> and civilian pay	
raise allowance .....	1.4

---

Research and Development -- Of the \$1.4 billion increase in research and development, \$240 million is accounted for by the F-18. In addition, both the Air Launched Cruise Missile and the Sea Launched Cruise Missile development are planned to continue, with the SLCM planned to enter engineering development.

Military Retired Pay -- The increase in military retired pay has been reduced by \$112 million to \$1.05 billion by assuming that the so called "1% kicker" will be eliminated. The "kicker" is a part of current law and will require congressional action to implement.

Reserve Reductions -- The President proposes to reduce reserve forces pay, training and manpower by elimination of drill pay for 40,000 Navy reservists and **elimination** of **dual** compensation for **federal** employees on reserve duty. New legislation **will** be required for the latter.

Proposed Legislation -- The President has included three additional legislative **proposals**:

- the Retirement Modernization Act (**+\$40million**)
- increased **military travel allowances** (**+\$107million**)
- other (**+\$16million**)

Military Assistance -- This **subfunction** shows a decrease of nearly **\$2 billion**. The bulk of this decrease, **\$1.542 billion** results from estimates of lower foreign **military** sales and **larger collections** in the foreign **military** sales trust fund. The trust fund is relatively **uncontrollable**. The remaining decrease results from **lower** requests for **forgivable** loans to Israel (\$250 million) and reductions in other military assistance.

Defense ERDA Activities -- The budget increases funds for ERDA defense activities a total of **\$.3 billion**, including an increase of **\$67 million** for **special** materials production, and **\$122 million** for weapons testing and weapons production.

Strategic Stockpile Sales -- The President is proposing new legislation authorizing the sale of excess strategic materials. Receipts are estimated to be **\$746 million**.

Selective Service -- Funding for **Selective** Service is reduced **\$31 million**, assuming an end to annual **registration** for the draft.

Other -- **Additional** changes in the **National** Defense function account for the remaining **\$27 million** in budget authority.

Function 150

INTERNATIONAL AFFAIRS

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual .....	4.4	4.4
1976 original request .....	12.6	6.3
1976 current estimate .....	6.5	5.7
1976 Second Budget Resolution .....	6.0	4.9
T.Q. original request .....	1.3	1.6
T.Q. current estimate .....	0.9	1.3
T.Q. Second Budget Resolution .....	1.0	1.4
1977 current services estimate .....	6.8	6.4
1977 request .....	9.7	6.8

B. Function and Subfunction  
(\$ millions)

Subfunction	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Budget Authority</b>				
Foreign Economic & Financial assistance .....	3,704	5,744	3,589	5,461
Conduct of Foreign Affairs..	674	781	876	985
Foreign Inf. & Exchange Act.	354	424	427	386
International Financial Prog.	- 50	- 50	2,240	3,298
Ded. for Offsetting Receipts.	- 263	- 449	- 367	- 464
<b>Total, budget authority</b>	<b>4,420</b>	<b>6,450</b>	<b>6,765</b>	<b>9,666</b>
<b>Outlays</b>				
Foreign Economic & Financial assistance .....	3,665	4,953	3,830	4,736
Conduct of Foreign Affairs..	658	814	878	910
Foreign Inf. & Exchange Act.	348	398	422	385
International Financial Prog.	- 50	- 50	1,675	1,256
Ded. for Offsetting Receipts	- 263	- 449	- 367	- 464
<b>Total, outlays</b>	<b>4,358</b>	<b>5,665</b>	<b>6,438</b>	<b>6,824</b>

INTERNATIONAL AFFAIRS

C. Major Changes From 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	6,450	5,665
<u>Export-Import Bank</u> -- The Export-Import Bank comes on budget again in FY 77	+3,348	+1,306
<u>Other International Affairs</u> . . . . .	-132	-147
1977 request . . . . .	9,666	6,824

Export-Import Bank -- The **Export-Import Bank** was removed from this function and the **overall budget totals** in FY 73, but beginning in FY 77 will again be included in the budget. The FY 77 budget authority and outlays associated with the Export-Import Bank, estimated at \$3,348 million and \$1,306 million respectively, reflect no major policy changes in the operation of the bank.

Other International Affairs -- With the exception of contributions to the United Nations and related agencies, all programs of bilateral and **multilateral** assistance are estimated to decline in FY 77 from the levels currently estimated for FY 76. On a net basis, the budget authority and outlays associated with these programs will decrease by \$132 million and \$147 million respectively from FY 76 to FY 77. It should be noted, however, that the **Administration's** current budget authority estimates for FY 76 exceed the estimates contained in the second concurrent **resolution** for security supporting assistance, the international fund for **agricultural** development and other programs. Using the concurrent resolution figures as the basis of comparison, the budget authority associated with international affairs programs other than the Export-Import Bank would increase by \$318 million on a net basis from FY 76 to FY 77.

Function 250

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

A. Function Totals\*  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 <b>actual</b> .....	4.3	4.2
1976 original request .....	4.7	4.6
1976 current estimate .....	4.7	4.6
1976 Second Budget Resolution .....	4.7	4.6
T Q. original request .....	1.2	1.2
T Q. <b>current estimate</b> .....	1.2	1.2
T.Q. Second Budget Resolution .....	1.2	1.3
1977 current services estimate .....	4.8	4.8
1977 <b>request</b> .....	4.9	4.9

\* Includes earth science programs to maintain comparability with the original requests and the Second Budget Resolution.

B. Function and Subfunction \*  
(\$ millions)

Subfunction	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget Authority</u>				
General science and basic research .....	1,103	1,145	1,150	1,288
Space research & technology..	2,915	3,229	3,377	3,330
Total budget authority	4,018	4,374	4,527	4,618
<u>Outlays</u>				
General science and basic research .....	1,038	1,124	1,141	1,170
Space research & technology..	2,951	3,187	3,419	3,337
Total outlays	3,989	4,311	4,560	4,507

\*Excludes earth science programs which have been transferred to Function 300 for fiscal 1977.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

C. Major Changes From 1976  
(\$ millions)

Major program or agency	Budget Authority	Estimated Outlays
1976 current estimate .....	4,374	4,311
Energy Research and Development Administration .....	+57	+34
National Science Foundation .....	+87	+13
Manned Space Flight - NASA .....	+101	+130
Other NASA programs, net .....	-1	+19
1977 request .....	4,618	4,507

Energy Research and Development Administration -- Outlays for ERDA activity in this subfunction are estimated to increase by about 8 percent, and budget authority would increase by about 13 percent. A major part of this increase is for funding of high energy physics research, including a significant increase for the Positron-Electron Project at the Stanford Linear Accelerator Center.

National Science Foundation -- Outlays for National Science Foundation increase by about 2 percent. Although this is a decrease in outlays in real terms, the increase in budget authority and, consequently, in obligations means there would be an increase in real resources allocated to NSF. Increased activity would occur in the following programs: (1) mathematical, physical sciences and engineering, (2) astronomical, atmospheric, earth, and ocean sciences, and (3) biological, behavioral, and social sciences. There would be a significant decrease in activity in the research applied to national needs program.

Manned Space Flight - NASA. Outlays for manned space flight increase about 7 percent between FY 76 and FY 77, and BA increases about 6 percent. These increases are less than the effect of inflation on NASA's purchasing power, and, therefore the manned space flight program must be slowed down. The major element in the Administration's proposal is the deferral of initiating production of the third shuttle orbiter for one year.

Other NASA Programs - Outlays for space science, applications and technology programs increase about 1 percent between FY 76 and FY 77, and BA decreases 3 percent. These real decreases in purchasing power require cuts in anticipated activity, including postponement of initiating the Space Telescope project, and a "Pioneer" type orbiter and probe of Jupiter project.

**Outlays** for supporting space activities increase about 4 percent, and BA **increases** about 11 percent. **Although** the **outlays** decrease in **real** terms, the BA **increase could be interpreted** as an **intent** to maintain these activities at approximately the same **level** of activity.

The **Administration's** request for NASA's budget would result in a decrease in the activity of the agency. **Nevertheless,** the space shuttle program would continue on **schedule** for the first two **shuttle vehicles,** and **several** new projects **would** start. The decrease in activity **would include** a 500 permanent **position** decrease in personnel (for **all** NASA functions).



Function 300

NATURAL RESOURCES, ENVIRONMENT, AND ENERGY

A. Function Totals\*  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual .....	16.2	9.3
1976 original request .....	12.2	10.0
1976 current estimate .....	18.9	11.5
1976 Second Budget Resolution .....	18.7	11.4
T.Q. original request .....	2.2	3.1
T.Q. current estimate .....	2.3	3.2
T.Q. Second Budget Resolution .....	2.4	3.2
1977 current services estimate .....	8.4	13.9
1977 request .....	9.4	13.5

\* Excludes earth science programs to maintain comparability with the original requests and the Second Budget Resolution.

B. Function and Subfunction\*  
(\$ millions)

Subfunction and Major Program	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Budget Authority</b>				
Water Resources and Power —	3,554	12,899	2,876	2,986
Conservation and Land Management .....	1,287	1,117	893	995
Recreational Resources .....	965	861	896	919
Pollution Control and Abatement				
EPA Construction Grants . . .	7,666	--	---	---
Other .....	725	683	646	631
<b>Energy..</b> .....	2,166	3,522	3,421	3,981
Other Natural Resources .....	878	921	908	1,010
Deductions for Offsetting Receipts .....	-756	-814	-950	-819
Total .....	16,484	19,189	8,690	9,702

\*Includes earth science programs which have been transferred to this function for fiscal 1977.

NATURAL RESOURCE, ENVIRONMENT AND ENERGY

B. Function and Subfunction (cont'd)  
(\$ millions)

Subfunction and Major Program	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Outlays</b>				
Water Resources and Power	3,274	3,827	3,880	3,908
Conservation and Land Management	1,300	1,333	1,183	1,027
Recreational Resources	.825	900	914	959
<b>Pollution Control and Abate- ment</b>				
EPA Construction Grants...	2,522	3,087	5,063	4,383
Other				
Energy	1,611	2,592	3,190	3,375
Other Natural Resources	.762	871	841	934
Deductions for Offsetting Re- ceipts	-756	-814	-950	-819
<b>Total</b>	<b>9,537</b>	<b>11,796</b>	<b>14,121</b>	<b>13,772</b>

C. Major Changes from 1976  
(\$ millions)

Major Program or Agency	Budget Authority	Estimated Outlays
1976 current estimate	19,189	11,796
Water Resources and Power		
Department of Agriculture	-65	-11
Tennessee Valley Authority	-9,980	-63
Department of the Interior	+115	+158
Corps of Engineers	+54	+40
Other	-37	-41
Conservation and Land Management		
Department of Agriculture	-56	-217
Other	-66	-90
Recreational Resources	+58	+59
<b>Pollution Control and Abatement</b>		
EPA Construction Grants	-	+1,420
Other	-52	-120
<b>Energy</b>		
General Operating Programs	-344	+109
<b>Regulation</b>	-	+6
Research and Development	+759	+626
<b>Energy Independence Authority...</b>	+42	+42
Other Natural Resources	+89	+63
Deductions for Offsetting Receipts	-6	-5
1977 Request	9,702	13,772

NATURAL RESOURCES, ENVIRONMENT, AND ENERGY

Department of Agriculture, Soil Conservation Service (Water Resources and Power) -- The \$65 million cutback in budget authority is mainly accounted for by the decrease in the SCS's Watershed and Flood Prevention Operations. Most of the cutback is in the emergency operations program, which authorizes measures for runoff retardation and soil erosion prevention; budget authority for this program declines from \$53.3 million to its 1975 level of \$0.3 million.

Tennessee Valley Authority -- In 1976, the TVA received \$10 billion in budget authority to authorize borrowing over the next several years to finance new power plant development. Outlays from this authorization will stretch out over approximately ten years. This infrequent authorization of borrowing authority is the traditional pattern of providing construction capital for TVA and does not represent any departure from its program.

Department of the Interior -- The Bureau of Reclamation accounts for the major portion of the increase in the Department of the Interior's water resources and power programs. Construction and rehabilitation funds grow from \$327 million to \$347 million in budget authority, and outlays are up \$60 million, or 20 percent. The Colorado River Basin salinity control projects receive \$23 million more in budget authority, an increase of 119 percent. The Colorado River Basin project has a \$25 million increase in budget authority to \$73 million, and outlays are up \$28 million. Finally, the Upper Colorado River storage project has \$24 million in new budget authority.

Corps of Engineers -- Budget authority for the Army Corps of Engineers increases by \$54 million, and outlays by \$40 million. Of the increases, \$42 million in budget authority and \$54 million in outlays are allocated to general construction. The only other changes exceeding \$10 million are a decrease of \$11 million in outlays from the revolving fund and \$13 million in outlays for flood control and coastal emergencies, and an increase in budget authority of \$11 million for flood control, Mississippi River and tributaries.

Other Resources and Power -- Other water resources and power activity includes the Department of State, several river basin commissions, and the Water Resources Council. The outlays for these activities experience a \$6 million decrease. Offsetting receipts for water resources and power are anticipated to increase by \$35 million.

Department of Agriculture (Conservation and Land Management) -- USDA's major activities in this sub-function are carried out by the U.S. Forest Service and the Soil Conservation Service. Forest Service outlays decline by about 13 percent because a minor increase for recreation, rangeland management, and other programs is offset by a decrease in timber preparation and associated activities. Outlays for road construction by timber purchases are included for the first time. SCS agriculture conservation outlays decline by about 19 percent with a termination of federal cost-sharing for private conservation and forestry practices proposed by the Administration.

Other Conservation and Land Management -- Other conservation and land management programs include the activity of the Bureau of Land Management. The major component in the budget authority and outlay decrease is anticipated increases in receipts.

Recreational Resources -- This sub-function includes funds for the Department of the Interior's Park Service and Fish and Wildlife Service. The increases in this subfunction maintain an approximately constant level of real resources for these services when the expected effect of inflation is included. These figures include funds for hosting bicentennial tourists and the initiation of a national inventory of wetlands.

EPA Construction Grants -- No new budget authority is requested for sewage treatment construction grants. EPA plans to obligate approximately \$10 billion remaining from previous budget authority by the end of FY 1977. Outlays are expected to rise from \$2.35 billion in 1976 to \$3.8 billion in 1977, an increase of 60 percent.

Other Pollution Control and Abatement -- EPA's annual operating budget accounts for more than 98 percent of other pollution control and abatement in 1977. EPA's 1977 budget authority is \$50 million less than in 1976. The largest decrease is in the water quality program where there is a \$38 million reduction in funds for Section 208 areawide planning grants (down to \$15 million). There is a \$11 million increase, to \$20 million, for grants to state agencies for water supply programs, and smaller increases and decreases in a number of other programs.

Energy Operating Programs -- 1977 outlay estimates for these programs, which include uranium enrichment and management and conservation functions (other than regulation and research), are projected at \$478 million, a 29.5 percent increase over 1976. Incorporated into these estimates is the assumption that the Congress will pass the President's recently proposed Nuclear Fuel Assurance Act, which would provide up to \$8 billion in off-budget contract authority for creation of a private-sector uranium enrichment industry. The decline in budget authority is attributable to an anticipated increase in receipts of about \$0.5 billion from the sale of petroleum through development of a major strategic reserve.

Energy Regulation -- Outlays for regulatory programs in 1977 will total \$178 million, an increase of 3.5 percent over 1976. The budget provides large increases for nuclear materials safeguards, reactor safety, and nuclear site inspection, all of which are administered by the Nuclear Regulatory Commission. The Federal Energy Administration budget, on the other hand, shows a sharp drop for 1977, because it assumes the expiration of petroleum price controls and allocation authorities as of December 15, 1975. However, the Energy

Policy and Conservation Act has extended these controls, thereby necessitating a subsequent request for funds for FEA to provide these mandated services.

**Energy Research and Development** -- Outlays for energy R&D increase by 30 percent. ERDA's nuclear fuel cycle and safeguards, conservation and geothermal energy (with loan guarantees) programs grow by greater than 50 percent over their FY 1976 outlay levels. Because ERDA programs start from different bases, the fossil energy and fission reactor programs have lower relative increases, but still experience large gains.

**Energy Independence Authority** -- Only net gains and losses of the EIA will be included within the budget; net losses of \$42 million are anticipated for 1977. Gross transactions and borrowing authority for this \$100 billion self liquidating proposal appear off-budget, where \$83 billion in budget authority and \$650 million in outlays are requested for FY 1977.

**Other Natural Resources** -- This sub-function now includes the activities formerly classified as Function 252, Earth Sciences. The Geological Survey is placing greater emphasis on its energy-related programs. The change in the level of funding maintains an approximately constant level of activity in this area.

**Deductions for Offsetting Receipts** -- These receipts, from the sale of mineral leases (except for the Outer Continental Shelf), timber, grazing forage and electric power, are expected to increase slightly.

**Additional Off-Budget Initiative** -- Synthetic Fuel Commercialization Program: A supplemental appropriation of \$3 million, in addition to \$500 million in borrowing authority in 1976, is contemplated. The \$500 million, plus all subsequent actions, are to be transferred to the proposed EIA in 1977. Under this arrangement, on-budget outlays would be limited to the \$3 million for administrative expenses.

Function 350

AGRICULTURE

A. Function Totals  
(\$ billions)

Item		Budget Authority	Estimated Outlays
1975	actual.....	5.9	1.7
1976	original request.....	4.3	1.8
1976	current estimate.....	4.1	2.9
1976	Second Budget Resolution.....	4.1	2.6
T.Q.	original request.....	.3	.4
T.Q.	current estimate.....	.3	.7
T Q.	Second Budget Resolution.....	.3	.8
1977	current services estimate.....	2.2	2.2
1977	request	2.3	1.7

B. Function and Subfunction  
(\$millions)

Subfunction and Major Program	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Budget Authority</b>				
Farm Income Stabilization.....	4,923	3,158	1,298	1,259
Agricultural Research and Services.....	.951	979	868	1,005
Deductions for Offsetting Re- ceipts.....	-2	-2	-2	-2
Total.....	5,873	4,135	2,164	2,262
<b>Outlays</b>				
Farm Income Stabilization.....	785	1,896	1,340	717
Agricultural Research and Services.....	.877	981	879	1,014
Deductions for Offsetting Re- ceipts.....	-2	-2	-2	-2
Total.....	1,660	2,875	2,216	1,729

AGRICULTURE

C. Major Changes from 1976  
(\$ millions)

Major Program or Agency	Budget Authority	Estimated Outlays
1976 current estimate .....	4,135	2,875
<b>Farm Income Stabilization</b>		
Price Support and Related Programs		
Disaster Payments .....		+108
Short-Term Export Credit Sales..	-1,851	-450
Loans, Purchases and Other .....		-97
Receipts and Adjustments .....		-173
<b>Agricultural Credit Insurance Fund.</b>	-28	-537
Long-Term Land Retirement and Other		
Farm Income Stabilization .....	-20	-31
<b>Agricultural Research and Services</b>	-----	+26    +34
1977 request .....	2,262	1,729

**Disaster Payments** - The budget assumes that disaster payments will increase by \$108 million in FY 1977, but this figure could change if the weather is unusually good or bad. The increase is primarily a function of higher target prices for crop-year 1976 which are used in calculating disaster payments.

**Short-Term Export Credit** -- In this category, outlays will be reduced from 1976 levels by \$481 million due to increased repayments from prior year loans and a reduced projected program level from \$900 million in 1976 to \$450 million in 1977. If supplies increase and prices weaken during the coming year, the Administration may attempt to encourage exports with this program and FY 1977 outlays could rise to \$900 million or even higher.

**Loans, Purchases and Other** - The estimates of outlays for loans, purchases and other price support programs are based on an analysis that assumes normal weather during the 1976 growing season, continued economic recovery and strong overseas demand. Commodity loan costs, minus repayments, are likely to drop because of the favorable price situation generally, and because of an expected sharp reduction (\$225 million) in loans for tobacco resulting from lower acreage allotments and higher prices. Unfavorable weather and smaller exports could raise outlays by \$110 million.

Agriculture Credit Insurance Fund -- Large sales of mortgage paper and lower levels of loan activity are expected to produce a negative outlay (an influx of funds) for this fund. The Administration can adjust the sale of paper through executive action to achieve its outlay target--the figure shown for receipts and adjustments includes the repayments for commodity loans and export credits.

Long-Term Land Retirement and Other Farm Income Stabilization -- The major change here is that payments for the expiring land retirement program will be reduced by \$21 million. Such payments should end in FY 77.

Agricultural Research and Services -- Total budget authority and outlays for research, economic intelligence, extension, consumer protection, marketing and regulatory programs have been held to \$1 billion. Spending for all of these activities is expected to increase by \$33 million over FY 1976, but adjustments for inflation reveal a 4 percent drop in real dollar outlays. Although this is not a large change in the total, the following modifications within the category are planned. Outlays for research to improve production efficiency will be \$21 million higher. Agencies responsible for economic intelligence are expected to spend \$7 million more for improving survey techniques and crop estimates. The Extension Service shows a decrease because of reductions in nutrition education and the elimination of grants related to rural development. Spending for consumer protection, marketing and regulation will rise because of changes in plant and animal health programs, and in marketing regulation. Strengthened animal and plant surveillance, a trail boll weevil eradication program, improved grain inspection, and the proposed elimination of grants to state marketing agencies will lead to a \$30 million net increase in budget authority.



Function 400

COMMERCE AND TRANSPORTATION

A. Function Totals  
(\$ billions)

Item		Budget Authority	Estimated Outlays
1975	actual.....	32.4	16.0
1976	original request.....	6.6	13.7
1976	current estimate.....	18.6	17.8
1976	Second Budget Resolution.....	19.0	18.3
T.Q.	original request.....	1.9	3.5
T.Q.	current estimate.....	2.4	4.8
T.Q.	Second Budget Resolution.....	2.6	5.4
1977	current services estimate.....	17.4	18.1
1977	request.....	17.9	16.5

COMMERCE AND TRANSPORTATION

B. Function and Subfunction  
(\$ millions)

Subfunction and major program	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Budget Authority</b>				
Mortgage Credit & Thrift				
Insurance .....	9,439	6,189	1,497	1,160
Postal Service .....	1,875	1,690	1,766	1,459
Other Advancement and Regula- tion of Commerce .....	843	875	880	1,136
Ground transportation .....	16,575	5,487	8,808	9,725
Air transportation .....	2,137	2,678	2,698	2,838
Water transportation .....	1,546	1,667	1,744	1,616
Other transportation .....	75	74	72	80
Deductions for Offsetting Receipts .....	-60	-55	-82	-89
Total budget authority...	32,431	18,605	17,383	17,925
<b>Outlays</b>				
Mortgage Credit & Thrift				
Insurance .....	2,810	1,278	505	-647
Postal Service .....	1,877	1,690	1,766	1,459
Other Advancement and Regula- tion of Commerce .....	939	895	1,001	910
Ground transportation .....	6,501	9,519	10,310	10,146
Air transportation .....	2,408	2,695	2,709	2,781
Water transportation .....	1,459	1,703	1,817	1,868
Other transportation .....	74	77	74	71
Deductions for Offsetting Receipts .....	-60	-55	-82	-89
Total outlays	16,010	17,801	18,101	16,498

COMMERCE AND TRANSPORTATION

C. Major Changes from 1976  
(\$ millions)

Program or Agency	Budget Authority	Estimated Outlays
1976 current estimate.....	18,605	17,801
Mortgage credit and thrift insurance..	-5,029	-1,925
Postal service.....	-231	-231
Other commerce and transportation .....	+308	+22
Highway improvement and construction..	+3,394	+390
Mass transit.....	-8	+248
Rail transportation.....	+811	-24
Air transportation.....	+160	+86
Water transportation.....	-51	+165
Deductions for offsetting receipts.....	-34	-34
1977 request.....	17,925	16,498

Mortgage Credit and Thrift Insurance -- Most of the decline in budget authority for the subfunction occurs as a result of the Administration's decision not to expand the authority in the GNMA Special Assistance Function Fund; an expansion of \$5 billion occurred in FY 76. The fund also is anticipated to have outlays decline by \$325 million due to significantly lower Tandem and Emergency Mortgage Purchase Assistance activity.

The FHA Fund is also anticipated to have lower budget authority and outlays. The approximately \$300 million savings occurs in response to lower foreclosures expected as a consequence of the use of a significant amount of Section 8 funds to support troubled properties and increased sales of foreclosed properties, both to local housing authorities under the FY 76 set aside and to the public.

The FDIC and FSLIC are expected to have substantial increases in receipts amounting to approximately \$174 million, and the FHLBB is anticipated to start receiving (net) repayments under its loan authority resulting in a credit in outlays, representing a reduction of \$354 million from FY 76 levels.

The Rural Housing Insurance Fund, though showing a budget authority increase of \$53 million, also shows a major reversal in outlays. The FY 76 outlay estimate of \$276 million becomes, in FY 77, a credit of \$453 million, a change of \$720 million. This change occurs almost entirely as a result of a significant increase in the sale of certificates of beneficial ownership.

Postal Service -- The reductions in outlays and budget authority for this category is based on the transition to full cost rates and the decision not to implement the authorized extension of the transition.

Other Commerce and Transportation - The major change in this category was in the Small Business Administration where the loan guarantee program increased substantially in budget authority. The SBA direct loan account did, however, offset much of this increase.

Highway Improvement and Construction - Outlays are expected to increase \$390 million over 1976 due essentially to large obligations made during the latter part of 1975. Whether or not the increase can be limited to this level depends partly on whether the Administration is successful in keeping the FY 1977 program level below that of 1975 and 1976. The Administration's proposed level is below current pending legislation.

Mass Transit - The outlay increase is due largely to the growth in obligations in recent years, and partly to an increase in Interstate transfers. FY 1977 outlays would have been higher except for the assumption of a decrease in operating subsidies. Whether such a decrease actually occurs depends on whether or not the Congress agrees to changes in the formula grant program restricting the portion available for operating subsidies to 50 percent.

Railroads - An increase of \$1 billion in budget authority is in the USRA account for the purchase of Conrail securities. Such an increase assumes passage of the \$400 million supplemental for FY 1976 and \$1.4 billion in FY 1977. Further, the total budget authority for federal support of Conrail would be \$2.1 billion for FY 1976 through FY 1977.

Air Transportation -- The small increases in budget authority and outlays are just enough to maintain the program in real terms. Such increases are, however, slightly below those which would be implied if the Airport and Airway bill currently moving through Congress becomes law.

Water Transportation - No critical changes.

Other Transportation - No important changes.

- 73 -  
Function 450

COMMUNITY AND REGIONAL DEVELOPMENT

A. Function Totals  
(\$ billions)

Item		Budget Authority	Estimated Outlays
1975	actual .....	5.4	4.4
1976	original request .....	5.2	5.9
1976	current estimate .....	4.8	5.8
1976	Second Budget Resolution .....	9.5	7.0
T.Q.	original request .....	.5	1.6
T.Q.	current estimate .....	.5	1.5
T.Q.	Second Budget Resolution .....	1.0	2.1
1977	current services estimate .....	5.1	6.2
1977	request .....	5.8	5.5

B. Function and Subfunction  
(\$ millions)

Subfunction and Major Program	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Budget Authority</b>				
Community Development .....	3,730	3,015	3,676	4,110
Area and Regional Development .....	1,336	1,473	1,155	1,432
Disaster Relief and Insurance .....	352	336	251	309
Deductions for Offsetting Receipts .....	-27	-30	-30	-32
Total .....	5,391	4,794	5,052	5,819
<b>Outlays</b>				
Community Development .....	3,149	3,892	4,233	3,667
Area and Regional Development .....	912	1,368	1,509	1,335
Disaster Relief and Insurance .....	398	572	525	562
Deductions for Offsetting Receipts .....	-27	-30	-30	-32
Total .....	4,432	5,802	6,237	5,532

COMMUNITY AND REGIONAL DEVELOPMENT

C. Major Changes from 1976  
(\$ millions)

Program or Agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	4,794	5,802
Community Development Block Grants, Including Phase-Out of Categorical Programs . . . . .	+1,410	-65
Community Services Administration . . . . .	-90	-144
Agriculture: Water and Sewer Grants... . . . .	-125	+12
Area and Regional Development . . . . .	-67	-59
Other Changes, net . . . . .	-103	-14
1977 Request . . . . .	5,819	5,532

Community Development Block Grants - The Community Development Block Grants are shown at their **full** funding **levels** for FY 1977 budget authority. A portion of the **sizeable** increase in the program is a result of that **full** funding; however, \$964 million of it results from the accounting for the transfer in FY 1976 of previously provided authority from the College Housing Program. It is expected that outlays will increase in FY 1977 **substantially** as communities draw upon the grants provided in previous years. The \$850 million outlay increase for Community Development Block Grants in 1977 **will** be more than offset by an estimated **decline** of \$915 million for Model Cities and Urban Renewal as these programs phase out. It is also assumed in the budget that the pending rescission of the Section 802 program, interest subsidies for state housing finance agency bonds, will be enacted, thereby lowering budget authority by \$600 million and outlays by \$15 million in FY 1976.

Community Services Administration -- The President is also recommending a **reduction** of \$90 million for CSA. This cutback would almost entirely be absorbed by the Community Action Program. If the 1976 budget authority amount was placed at the **level** provided in the vetoed **Labor-HEW** appropriations bill (\$495 million), the cutback would amount to \$161 million. Outlays are estimated to **decline** commensurately.

Agriculture: Water and Sewer Grants - The budget reflects the President's recommendation that this program be terminated at the end of this fiscal year (1976), thereby reducing budget authority by \$125 million. The President has proposed a rescission for \$125 million of FY 1976 authority. Should this rescission not be enacted, budget authority would actually be, in FY 1977, \$250 million below its FY 1976 level. Increases in outlays represent normal growth in payouts, however, should the rescission not be enacted, outlays will grow by another \$31 million.

Area and Regional Development -- The Farmers Home Administration has \$40 million in new budget authority for its Rural Development Insurance Fund. FmHA's Rural Development Grants, on the other hand, receive no new budget authority for FY 1977. No new grant obligations are planned.

1977 budget authority for Economic Development Administration's development assistance programs would decrease by \$137 million, or 38 percent. Also, there is a \$47 million reduction in outlays for the Regional Planning Commission and the regional development programs.

The permanent contract authority of the Appalachian Regional Development programs increases from \$185 to \$250 million in FY 1977.

Other Changes. Net -- Lower funding levels are requested for Comprehensive Planning Grants and loans to the District of Columbia (-\$134 million in budget authority and -\$16 million in outlays). A 79 percent increase in the number of communities participating in the national flood insurance program explains the \$33 million rise in budget authority and the \$91 million rise in outlays for FY 1977. The disaster relief program of SBA has a cut in outlays of \$101 million, or 47 percent. This change reflects a 52 percent reduction in FY 1977 loans.

Function 500  
EDUCATION, MANPOWER AND SOCIAL SERVICES

A. Function Totals  
(\$ billions)

Item		Budget Authority	Estimated Outlays
1975	actual .....	15.5	15.2
1976	original request .....	13.7	14.6
1976	current estimate .....	19.7	18.9
1976	Second Budget Resolution .....	21.3	20.9
T.Q.	original request .....	4.8	3.0
T.Q.	current estimate .....	4.9	4.4
T.Q.	Second Budget Resolution .....	7.0	5.4
1977	current services estimate .....	18.6	18.4
1977	request .....	15.9	16.6



EDUCATION, MANPOWER AND SOCIAL SERVICES

B. Function and Subfunction  
(\$ millions)

	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget authority</u>				
Elementary, Secondary and				
Vocational Education .....	4,775	4,687	4,992	5,335
Higher Education .....	1,876	2,491	2,708	2,145
Research and General				
Education Aids .....	754	749	922	786
Manpower Training .....	4,645	7,582	6,048	3,693
Other Manpower Services .....	280	328	311	366
Social Services .....	3,199	3,939	3,701	3,655
Deductions for Offsetting				
Receipts .....	-5	-38	-44	-38
Total budget authority .....	15,526	19,738	18,638	15,943
<u>Outlays</u>				
Elementary, Secondary and				
Vocational Education .....	4,634	4,636	4,884	4,428
Higher Education .....	2,050	2,681	2,607	2,298
Research and General				
Education Aids .....	947	824	861	847
Manpower Training .....	4,063	6,874	6,052	4,984
Other Manpower Services .....	259	326	307	362
Social Services .....	3,301	3,596	3,706	3,735
Deductions for Offsetting				
Receipts .....	-5	-38	-44	-38
Total outlays .....	15,248	18,900	18,371	16,615

EDUCATION, MANPOWER, AND SOCIAL SERVICES

C. Major Changes from 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate	19,738	18,900
Impacted School Aid	-111	-90
Other Elementary and Secondary Education	+759	-118
Higher Education	-346	-383
Temporary Employment Assistance	-3,325	-1,266
Employment and Training Assistance	-564	-624
Social Services	-284	+139
Other	+76	+57
1977 request	15,943	16,615

**Impacted School Aid** - The President proposes to eliminate entirely payments to school districts for children whose parents do not live on Federal, tax-exempt property and for children in low-rent housing units. Legislation will be requested to allow the Administration to not pay the "hold harmless" payments which would otherwise be required. Coupled with a proposed \$244 million rescission in FY 1976, these proposals are estimated to reduce FY 1977 outlays by \$285 million.

**Other Elementary and Secondary Education** - The President proposes to alter the method of Federal involvement in elementary and secondary education by consolidating 27 separate grant programs. Direct Federal participation in 27 education programs would be eliminated, including such programs as Aid to Disadvantaged Students (Title I ESEA), Education of the Handicapped and Vocational and Adult Education. These Federal programs will be replaced by a single grant to states, the total amount of which is slightly greater (10 percent) than the President's revised FY 1976 estimated budget authority of \$3.0 billion (which reflects his rescission requests of \$148 million).

**Higher Education -- Supplemental** Opportunity Grants have been eliminated, along with all Federal capital contributions to the National Direct Student Loan Program. Legislation has also been proposed to boost interest charged to GSL borrowers from 7 percent to 8 percent once repayment begins. The request of \$250 million for the College Work-Study program is a drop of \$140 million from the amount in the FY 1976 appropriation allotted to the 1977-78 academic year. Legislation will also be proposed to increase the institution matching percentage from 20 percent to 50 percent by 1979 at the rate of 10 percent per year. Finally the 1977 budget includes an \$1.1 billion request in budget authority for basic educational opportunity grants of up to \$1,400 but limited to one-half the student's need for \$1.3 million undergraduate students in the 1977-78 school year.

**Temporary Employment Assistance --** An additional \$1.7 billion is provided in FY 1976 to continue temporary employment assistance under CETA Title VI. The additional FY 1976 funds will carry the program through FY 1976 with a gradual phaseout through September of 1977. According to OMB, this phaseout will save \$1.2 billion in FY 1977. While the OMB current services budget estimated outlays of \$2.25 billion for FY 1977, the President's FY 1977 outlay estimate is \$1.07 billion.

**Employment and Training Assistance --** A supplement of \$400 million for summer jobs for youths is requested. The Job Opportunities Program is eliminated as current projects phase out through FY 1977. The President proposes to discontinue the separate funding of training services under the WIN program. Registrants would be eligible for such services under CETA. Legislation will be submitted to accomplish this and outlays for the WIN program are expected to be reduced by \$55 million in FY 1977.

**Social Services --** The Financial Assistance for Community Services Act is proposed to convert both social services and state training grants into a single \$2.5 billion block grant with funds distributed to the states according to the current state grants formula. The Allied Services Act has been proposed to encourage coordination of all human service delivery programs at the state and local level.

**Other --** This includes education research, general education aids and other labor services. The major changes in budget authority include the Library of Congress (+\$16million), National Institute of Education (+\$20million), and the Smithsonian Institution (+\$13million).

**Note:** Because many education programs, particularly elementary and secondary education aid programs, are forward funded, their budget authority is provided in the transition quarter. Consequently, a comparison between fiscal 1976 and 1977 for these programs may not fully represent the effects of the President's proposals.

Function 550

HEALTH

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual .....	30.0	27.6
1976 original request .....	30.9	28.0
1976 current estimate .....	32.3	32.1
1976 Second Budget Resolution .....	33.6	32.9
T.Q. original request .....	7.7	7.2
T.Q. current estimate .....	8.6	8.3
T.Q. Second Budget Resolution .....	8.6	8.6
1977 current services estimate ....	37.7	37.7
1977 request .....	38.0	34.4

B. Function and Subfunction  
(\$ millions)

	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget authority</u>				
Medicare .....	16,891	18,556	22,399	23,038
Medicaid .....	6,996	8,261	9,092	9,292
Other Health .....	6,083	5,522	6,161	5,708
Total budget authority .....	29,970	32,339	37,652	38,038
<u>Outlays</u>				
Medicare .....	14,781	17,748	21,659	19,646
Medicaid .....	6,840	8,184	9,092	9,292
Other Health .....	6,026	6,205	6,933	5,455
Total outlays .....	27,647	32,137	37,684	34,393

HEALTH

C. Major Changes from 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	32,339	32,137
<b>Medicare:</b>		
Current law . . . . .	+4,492	+4,129
Proposed legislation . . . . .	-10	-2,231
<b>Medicaid</b> . . . . .	<b>+1,030</b>	<b>+1,108</b>
Other health programs . . . . .	+187	-750
1977 request . . . . .	38,038	34,393

Medicare - Under current law, outlays for Medicare are estimated to increase by \$4.1 billion. The President proposed to cut this increase by \$2.2 billion by limiting increases in payment rates to 7 percent per day for hospitals and to 4 percent for physicians' services (-\$909 million) and greater cost-sharing (-\$1,860 million). These reductions would be partially offset by a proposal to provide protection against catastrophic medical costs by limiting cost-sharing for covered services to \$500 per year for hospital and nursing home care and to \$250 annually for physicians' services (+\$638 million).

Medicaid - Under current law, outlays for Medicaid are projected by the Administration to increase \$1.0 billion to \$9.3 billion in 1977. The President proposes, however, to consolidate the Federal share of the Medicaid program with fifteen other categorical health grant programs into a single \$10 billion health revenue sharing block grant to the states. Under this proposal, no state matching would be required. The \$10 billion would, according to the President's proposed formula, allocate \$9 billion for all health service programs (including Medicaid, neighborhood health centers, family planning, and maternal and child health programs), \$500 million for community and environmental health activities (e.g. alcohol and disease prevention, rodent and lead paint control, developmental disabilities and community mental health centers), and the remaining \$500 million for planning, construction, and development or as discretionary funds to be used as the states desired. The \$9 billion would support approximately \$9.9 billion in programs assuming Administration projections for Medicaid and 1976

appropriations **levels**. A portion of this \$900 million difference could be offset by the **states'** using part or all of the \$500 **million** of the discretionary funds, but this could serve to the detriment of their health planning and development activities.

Other health programs -- The **President's** proposal to allocate \$10 **billion** for Medicaid and fifteen **categorical** programs under a formula grant to the states is insufficient to cover the cost of these programs at the levels provided for in the vetoed 1976 **Labor-HEW** appropriations bill plus the **President's** 1977 estimate for the Federal share of Medicaid. The 1977 projected Medicaid cost of \$9.292 billion, plus \$1.374 billion appropriated by the Congress for the fifteen **categorical efforts**, would force a decrease of \$666 **million** in the Federal share of state and **local** health efforts.

Aside from the health programs **included** in the block grant proposal, the **President's** budget reflects a \$313 million decrease in outlays for health education and **training**, a \$185 **million** increase in **biomedical** research (although the 1977 proposed level represents a \$13 **million** decrease from the 1976 appropriated amounts), and \$113 million more in projected support of the Federal Employee Health Benefits Program. The President has also proposed an amendment for an additional \$13.5 million in 1976 funds for St. **Elizabets** Hospital to make improvements necessary for **reaccreditation**. Also, the budget indicates a Presidential legislative request of \$75 million in funds for 1977 for the construction of a new facility for St. **Elizabets**.

The **President's** budget, while requesting a \$0.2 billion increase in budget authority for health programs (**excluding** Medicare and Medicaid), represents a \$0.7 **billion** decrease in outlays for 1977. This discrepancy between budget authority and outlay **levels** is primarily attributable to the decreases in budget authority in the 1976 revised estimate from 1975 levels (\$0.7 billion) assuming Congressional approval of \$250 million in rescissions and the adoption of the **President's** 1976 budget request and the **subsequently** lower spendout levels in 1977 of 1976 obligations.

INCOME SECURITY

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual .....	159.3	108.6
1976 original request .....	135.3	118.7
1976 current estimate .....	140.3	128.5
1976 Second Budget Resolution .....	137.5	128.2
T.Q. original request .....	27.6	31.2
T.Q. current estimate .....	28.8	32.7
T.Q. Second Budget Resolution .....	28.9	34.3
1977 current services estimate .....	176.5	146.1
1977 request .....	157.7	137.1

B. Function and Subfunction  
(\$ millions)

	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget authority</u>				
General Retirement and Disability .....	71,165	73,998	85,220	88,247
Federal Employee Retirement ..	11,595	13,302	17,368	16,217
Unemployment Insurance .....	15,006	13,126	18,560	16,572
Public Assistance .....	61,527	39,916	55,337	36,641
Total budget authority .....	159,294	140,342	176,485	157,678
<u>Outlays</u>				
General Retirement and Disability .....	69,383	77,241	89,167	87,357
Federal Employee Retirement ..	6,980	8,336	10,283	9,988
Unemployment Insurance .....	13,459	19,378	19,360	16,872
Public Assistance .....	18,782	23,553	27,263	22,896
Total outlays .....	108,605	128,509	146,073	137,115

INCOME SECURITY

C. Major Changes from 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	140,342	128,509
<b>OASDI:</b>		
Program growth . . . . .	+10,227	+10,875
New legislation . . . . .	+3,517	-826
Railroad Retirement program growth . . . . .	+497	+204
Disabled Coal Miners program decline . . . . .	+8	-65
\$50 Bonus . . . . .	-	-72
<b>Federal Employees Retirement:</b>		
Program growth . . . . .	+2,915	+1,723
New legislation . . . . .	--	-70
<b>Unemployment Insurance:</b>		
Existing programs . . . . .	+2,546	-2,806
New legislation . . . . .	+900	+300
<b>Supplemental Security Income . . . . .</b>	<b>+434</b>	<b>+673</b>
<b>AFDC:</b>		
Program growth . . . . .	+317	+317
New legislation . . . . .	-256	-256
Housing Assistance . . . . .	-2,311	+577
<b>Food Stamps:</b>		
Program growth . . . . .	+2,081	+1,720
New legislation . . . . .	-2,640	-2,637
<b>Child Nutrition:</b>		
Program growth . . . . .	+761	+544
New legislation . . . . .	-1,058	-740
Other Public Assistance . . . . .	-602	-856
1977 request . . . . .	157,678	137,115

The majority of changes between FY 1976 outlays and budget authority and the President's FY 1977 proposal is due to growth in the cash and in-kind transfer programs, either due to an expanding participation level or indexed payment changes. In the case of Unemployment Insurance and the Disabled Coal Miners program, the President's Budget shows a decline in outlays.

The remaining changes are due to new legislative proposals, including the following:

OASDI -- Legislation is proposed to eliminate lump-sum payments to some new retirees, phase out student benefits, convert the retirement



test to an annual base, and **eliminate cost-of-living** benefit schedule increases for currently **employed** persons whose wages are increasing with the cost of **living**. **Additionally**, the Administration is proposing a .6 percentage point rise in the **payroll** tax from 11.7 percent to 12.3 percent effective January 1, 1977 which **will** increase budget authority.

**Federal Employees Retirement** -- **Legislation** is proposed to eliminate the additional one percentage point increase (over the **CPI**) for annuities.

**Unemployment Insurance** -- **Legislation** is proposed to expand coverage and create new benefit standards for some covered workers. **Total** coverage is anticipated to increase by 6 million workers and new benefit standards **will** insure that **UI** payments rise with average wages. **Additionally**, the Administration proposes to increase the wage base for employer taxes from \$4,200 to \$6,000 and to temporarily increase the **UI** tax **rate**. This, **along** with increases in advances, **will** cause a rise in budget authority for existing programs.

**AFDC** -- **Legislation** is proposed to simplify the matching formula, to **include step-parents'** income in **eligibility determination**, and to **simplify** earned income disregards.

**Food Stamps** -- **Legislation** has been proposed to shift to a three-month retrospective accounting system, to change deduction methods, and to implement new income **eligibility** guidelines.

**Child Nutrition** -- **Legislation** is proposed to consolidate 15 programs into a block grant program. The **consolidation** is expected to save **\$1 billion** in budget authority and **\$740 million** in outlays during FY 1977.

- 86 -

Function 700

VETERANS BENEFITS AND SERVICES

A, Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual .....	16.7	16.6
1976 original request.....	16.2	<b>15.6</b>
<b>1976</b> current estimate.....	<b>19.9</b>	19.0
1976 Second Budget Resolution....	19.9	19.1
T.Q. <b>original</b> request .....	3.9	3.9
T.Q. current estimate .....	4.5	4.4
T.Q. Second Budget Resolution....	4.7	4.8
1977 current services estimate...	18.3	18.0
1977 request .....	17.7	17.2

B. Function and Subfunction  
(\$ millions)

	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Budget authority</b>				
Compensation, Pensions, and Insurance .....	7,947	8,680	8,622	8,536
Readjustment <b>Benefits</b> .....	4,551	6,215	4,973	4,160
Hospital and Medical Care —	3,771	4,448	4,250	4,437
Other Benefits and <b>Services..</b>	476	556	492	548
Total budget authority .....	<b>16,745</b>	19,898	18,338	17,681
<b>Outlays</b>				
Compensation, Pensions, and Insurance .....	7,860	8,384	8,379	8,258
Readjustment <b>Benefits</b> .....	4,593	6,023	5,057	4,245
Hospital and <b>Medical</b> Care —	3,665	<b>4,142</b>	3,998	4,521
Other Benefits and <b>Services..</b>	480	486	518	173
Total outlays .....	16,598	19,635	17,952	<b>17,193</b>

VETERANS BENEFITS AND SERVICES

C. Major Changes from 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	19,899	19,002
<u>Readjustment Benefits</u> -- reduced <b>training levels</b> . . . . .	1,342	-1,065
<u>Housing Programs</u> -- increased sales of loans and properties . . . . .	-	-275
<u>Medical Programs</u> - increased employment and other <b>factors</b> . . . . .	+313	+322
<u>Construction Programs</u> - lower new projects; higher <b>activity</b> under prior projects . . . . .	-194	+117
<u>Proposed Legislation</u> . . . . .	-923	-923
<u>Other (Net)</u> . . . . .	-71	-15
1977 request . . . . .	17,681	17,196

Readjustment Benefits -- As a result of the imposition of the 10-year **delimiting** period on Readjustment Benefits (on June 1, 1976), training levels are expected by the VA to **decline** by some 564,000. That **decline** in **training levels** accrues in a \$1.1 **billion reduction** in outlays and a \$1.3 **billion** reduction in budget authority from the record high of 1976.

Housing Credit Assistance Programs -- Though the Loan Guaranty Revolving Fund and the Direct Loan **Revolving** Fund are expected to have roughly the same loan **activity** in FY 1977 as in FY 1976, these programs show **sizeable credits** in outlays in FY 1977. Increased sales of **loans** and properties account for the **entire** outlay reduction of \$.3 billion.

Medical Programs -- Almost half of the \$.3 billion increase in the **Medical** Programs results from the addition of 2,122 new **positions** (average employment) in medical care and **annualizations** of pay increases. The addition of these **employees** completes the staffing requirements under the 1974 "Quality of Care" study. The balance is a combination of supply fund **transaction** (a credit), higher contract care costs, and other **miscellaneous** increases.

Construction Programs -- Though there is a decline of \$.2 billion of authority requested for construction and **modernization of medical facilities**, outlays rise by over \$.1 **billion**. This occurs as a consequence of the spend-out of previously obligated balances. The budget authority requested, though lower than either FY 1975 or the record high FY 1976 **levels**, **still** represents the third highest in VA history.

Proposed Legislation --

**Burial Benefits** -- The President proposes to eliminate duplicate Federal payments of **burial benefits**. The VA estimates reductions in both outlays and budget authority of \$85 **million** should the legislation be enacted.

Readjustment Benefits -- The President is proposing to terminate the **eligibility** for benefits for all veterans who will have enlisted after June 30, 1976 and to **limit** (by repeal of P.L. 93-337) the use of benefits for most other veterans to 8 years rather than the current 10-year period. He is also recommending the termination of the PREP Program and Correspondence and **Flight Training benefits**. The VA estimates that the termination of the G.I. **bill** would reduce costs by \$25.1 **million**; that the repeal of the 2-year extension **would** save \$623.5 million; and that the termination of PREP and the Correspondence and Flight benefits would lower costs by \$28.9 million and \$35 million **respectively**, for a total of \$712.5 **million**.

**Medical Care** -- The President **is** again proposing that **private** insurers be required to reimburse the VA for inpatient medical care and treatment provided to non **service-disabled veterans**. The VA estimates that \$130 million would be received from the insurers in FY 1977.

Function 750

LAW ENFORCEMENT AND JUSTICE

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual.....	3.0	2.9
1976 original request.....	3.2	3.3
1976 current estimate.....	3.3	3.4
1976 Second Budget Resolution.....	3.3	3.4
T.Q. original request.....	.8	.9
T.Q. current estimate.....	.8	.9
T.Q. Second Budget Resolution.....	.8	.9
1977 current services estimate.....	3.2	3.3
1977 request.....	3.3	3.4

B. Function and Subfunction  
(\$ millions)

Subfunction	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<b>Budget authority</b>				
Federal Law Enforcement & Pros..	1,627	1,891	1,794	1,933
Federal Judicial Activities.....	305	332	405	380
Federal Corrections & Rehab.....	222	237	231	299
Law Enforcement Assistance.....	887	811	770	713
Offsetting Receipts.....	-9	-7	-4	-7
Total budget authority.....	3,031	3,264	3,195	3,318
<b>Outlays</b>				
Federal Law Enforcement & Pros..	1,594	1,886	1,794	1,933
Federal Judicial Activities.....	277	338	393	378
Federal Corrections & Rehab.....	227	267	240	279
Law Enforcement Assistance.....	853	919	891	844
Offsetting Receipts.....	-9	-7	-4	-7
Total outlays.....	2,942	3,402	3,313	3,426

LAW ENFORCEMENT AND JUSTICE

C. Major Changes from 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate.....	3,264	3,402
Law Enforcement Assistance Administration - reduction in grants.....	-102	-80
Other programs.....	+156	+104
1977 request.....	3,318	3,426

Law Enforcement Assistance Administration -- The President urges Congress to extend LEAA for five years but also proposes to reduce grants to State and local criminal justice systems by 8 percent.

Other programs -- Increased spending is requested for a number of law enforcement and justice activities including Federal prisons (**+\$67 million** in budget authority, **+\$15 million** in outlays); Department of Justice legal activities (**+\$20 million** in budget authority, **+\$28 million** in outlays), and Federal judicial activities (**+\$48 million** in budget authority, **+\$40 million** in outlays).

Function 800

GENERAL GOVERNMENT

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual .....	3.1	3.1
1976 original request .....	3.3	3.2
1976 current estimate .....	3.5	3.5
1976 Second Budget Resolution.....	3.3	3.3
T.Q. original request .....	.8	.8
T.Q. current estimate .....	.9	1.0
T.Q. Second Budget Resolution.....	.9	.9
1977 current services estimate.....	3.4	3.5
1977 request .....	3.5	3.4

B. Function and Subfunction  
(\$ millions)

	1975 Actual	1976 Current Services	1977 Current Services	1977 Request
<u>Budget Authority</u>				
Legislative functions .....	630	740	694	747
Central fiscal operations and other executive functions .....	2,445	2,806	2,708	2,713
Total budget authority —	3,075	3,546	3,402	3,460
<u>Outlays</u>				
Legislative functions .....	588	767	736	789
Central fiscal operations and other executive functions .....	2,501	2,780	2,738	2,644
Total outlays .....	3,089	3,547	3,474	3,433

GENERAL GOVERNMENT

C. Major Changes from 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate .....	3,546	3,547
Total change .....	-86	-114
1977 request .....	3,460	3,433

Major changes - The **decline** in estimated spending in this function is attributable largely to the phase out of the American Revolution Bicentennial Administration activities, the completion of funding of the **1976** presidential election campaign and reduced amounts for the Trust Territory of the Pacific **Islands**, Guam, and American Samoa. The President proposes to **reestablish** a Office of Science and Technology **Policy** in the Executive Office. Appropriations **will** be requested to convene a **National Women's** Conference under recently enacted legislation.



Function 850

REVENUE SHARING AND **GENERAL** PURPOSE FISCAL  
ASSISTANCE

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual .....	7.1	7.0
1976 original request .....	7.3	7.2
1976 current estimate .....	9.5	7.2
1976 Second Budget Resolution...	7.3	7.3
T.Q. original request .....		
T.Q. current estimate .....	2.0	2.0
T.Q. Second Budget Resolution...	2.0	2.1
1977 current services estimate...	7.3	7.3
1977 request .....	7.3	7.4

B. Function and Subfunction  
(\$ millions)

Subfunction	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget authority</u>				
General revenue sharing .....	6,197	6,358	6,544	6,546
Other general purpose fiscal assistance .....	856	3,181	752	801
Total budget authority .....	7,052	9,538	7,296	7,347
<u>Outlays</u>				
General revenue sharing .....	6,130	6,275	6,540	6,552
Other general purpose fiscal assistance .....	875	894	750	799
Total outlays .....	7,005	7,169	7,291	7,351

REVENUE SHARING AND GENERAL PURPOSE FISCAL  
ASSISTANCE

C. Major Changes From 1976  
(\$ millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	9,538	7,169
<u>General revenue sharing</u> -- renew through 1982 with \$150 million annual increases . . . . .	+188	+277
<u>New York City seasonal financing fund</u> -- 1976 one-time authorization	-2,300	--
<u>Other general purpose fiscal assistance</u> -- net change . . . . .	-79	-95
1977 request . . . . .	7,347	7,351

General revenue sharing -- The President has recommended that general revenue sharing, which terminates December 31, 1976, be extended through September 30, 1982. The President proposes that the authorization and appropriation of specific annual amounts be continued, with the amount continuing to increase by \$150 million annually, or \$37.5 million a quarter. The \$188 million 1976-1977 funding increase reflects the 5-quarter interval between 1976 and 1977 due to the transition quarter.

If revenue sharing were not renewed, outlays would be lower by \$3.2 billion in 1977. The 1977-82 cost of renewing the program would be \$36.4 billion, compared to the \$30.2 billion 5-year cost of the current program.

New York City seasonal financing fund -- Public Law 94-143 established the New York City seasonal financing fund, which authorizes short-term loans by the Federal Government to the city through June 30, 1978. These loans, which may not exceed \$2.3 billion in any one year, must be repaid by the end of the city's fiscal year. The Federal Financing Bank is authorized to purchase the loans from the Treasury so that there will be no effect on budget outlays. No new appropriation is needed for 1977. The Second Budget Resolution for 1976 did not include any funds for aid to New York.

Other general purpose fiscal assistance -- A \$23 million increase is requested in 1977 for the federal payment to the District of Columbia. The Federal Government gives back to States, territories and counties all or part of certain taxes and receipts collected for various activities. Most of these payments will be low in 1977 because of their timing and the shift of the federal fiscal year by three months. Payments based on 1976 receipts will be made in the transition quarter, while 1977 payments will be based mainly on receipts generated in the transition quarter.

Function 900

INTEREST

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual.....	31.0	31.0
1976 original request.....	34.4	34.4
1976 current estimate.....	34.8	34.8
1976 Second Budget Resolution —	35.4	35.4
T.Q. original request.....	9.3	9.3
T.Q. current estimate.....	9.8	9.8
T.Q. Second Budget Resolution	10.0	10.0
1977 current services estimate...	41.9	41.9
1977 request.....	41.3	41.3

B. Function and Subfunction  
(\$ millions)

Subfunction	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget authority and outlays</u>				
Interest on the public debt..	32,665	37,700	45,100	45,000
Other interest.....	-1,691	-2,865	-3,183	-3,703
Totals.....	30,974	34,835	41,917	41,297

INTEREST

C. Major Changes from 1976  
(\$ millions)

Program or Agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	34,835	34,835
<u>Interest on the Public debt</u> -- increases from financing budget deficits of \$76 billion in FY 76 and \$43 billion in FY 77 . . . . .	+ 7,300	+ 7,300
<u>Other interest</u> -- increases expected in offsetting interest receipts . . . . .	- 838	- 838
1977 request . . . . .	41,297	41,297

Interest on the **public** debt -- The \$7.3 **billion** increase for 1977 results largely from the **financing** of budget deficits of \$76 billion in 1976 and \$43 **billion** in 1977 as provided in the President's budget. The interest rate on 91-day Treasury **bills** -- a major means of financing the debt -- is assumed to remain at 5.5 percent, the current market rate at the time the estimates were made.

Other interest -- This **includes** interest payments by the IRS on tax refunds and offsetting receipts from interest on Treasury **loans**. The **receipts** are estimated to increase from \$3.2 **billion** in 1976 to \$4.1 **billion** in 1977.

ALLOWANCES

A. Function Totals  
(\$ billions)

Item		Budget Authority	Estimated Outlays
1975	actual .....	---	---
1976	original request .....	8.3	8.1
1976	current estimate .....	.2	.2
1976	Second Budget Resolution .....	.5	.8
T.Q.	original request .....	1.9	2.1
T.Q.	current estimate .....	.2	.2
T.Q.	Second Budget Resolution .....	.1	.1
1977	current services estimate .....	5.8	4.8
1977	request .....	2.6	2.3

B. Function and Subfunction  
(\$ millions)

	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
<u>Budget Authority</u>				
Civilian agency pay raises..	—	—	2,836	790
Contingencies .....	—	225	3,000	1,800
Total budget authority .....	—	225	5,836	2,590
<u>Outlays</u>				
Civilian agency pay raises..	--	---	2,836	760
Contingencies .....	--	200	2,000	1,500
Total outlays .....	--	200	4,836	2,260

# ALLOWANCES

## C. Major Changes from 1976 (\$ millions)

Program or Agency	Budget Authority	Estimated Outlays
1976 current estimate. . . . .	225	200
<u>Civilian agency pay raises</u>		
4.7% average pay increase in October. . . . .	+790	+760
<u>Congitencies</u>		
For unanticipated needs. . . . .	+1,575	+1,300
1977 request. . . . .	2,590	2,260

**Civilian Agency Pay Raises** -- The budget assumes that October 1976 pay **increases** for general schedule employees will be **limited** to 5 percent as was done **last** year. The November 10 current services **estimates** for 1977 assumed a 11.5 percent October 1976 increase to achieve **comparability** with private sector pay as required by the **Federal Pay Comparability Act** of 1970 (this **included** a "catch up" of more than 3 percent from the below **comparability** October 1975 pay **adjustment**). The 1977 budget assumes that certain administrative changes recently recommended by the **President's Panel on Federal Compensation** will be implemented (include data on secretaries and computer operators in the **comparability** survey and weighting the survey **data**). It is anticipated that these changes will reduce the earlier 11.5 percent **comparability** estimate. Also, **legislation** will be proposed to **initiate** other reforms, such as **splitting** the general schedule into two parts, and setting **clerical** and **technical salaries** on a **locality** basis. The budget assumes a 3.4 percent pay increase for wage-board employees, based on legislation to be proposed for reform of **certain** aspects of the law governing wage-board pay rates.

**Contingencies** -- A **relatively large allowance** for **contingencies** is provided. Last year, the 1976 budget assumed **only** \$750 million in budget authority and \$500 million in outlays. For 1977, the budget **includes** \$1.8 billion in budget authority and \$1.5 billion in outlays for this purpose.

- 100 -

Function 950

UNDISTRIBUTED OFFSETTING RECEIPTS

A. Function Totals  
(\$ billions)

Item	Budget Authority	Estimated Outlays
1975 actual . . . . .	- 14.1	- 14.1
1976 original request . . . . .	- 20.2	- 20.2
1976 current estimate . . . . .	- 15.2	- 15.2
1976 Second Budget Resolution . . . . .	- 17.1	- 17.1
T.Q. original request . . . . .	- 3.4	- 3.4
T.Q. current estimate . . . . .	- 3.6	- 3.6
T.Q. Second Budget Resolution . . . . .	- 4.4	- 4.4
1977 current services estimate . . . . .	- 21.2	- 21.2
1977 request . . . . .	- 18.8	- 18.8

B, Function and Subfunction  
(\$ millions)

Subfunction	1975 Actual	1976 Current Estimate	1977 Current Services	1977 Request
Budget authority and outlays				
Employer share, employee retirement . . . . .	- 3,980	- 4,193	- 4,470	- 4,468
Interest received by trust funds . . . . .	- 7,667	- 8,015	- 8,689	- 8,373
Rents and royalties on the Outer Continental Shelf . . . . .	- 2,428	- 3,000	- 8,000	- 6,000
Totals . . . . .	- 14,075	- 15,208	- 21,159	- 18,840



UNDISTRIBUTED OFFSETTING RECEIPTS

C. Major Changes from 1976  
(\$millions)

Program or agency	Budget Authority	Estimated Outlays
1976 current estimate . . . . .	- 15,208	- 15,208
Offshore oil leases -- receipts are estimated to be \$6.0 billion in 1977, up from \$3.0 billion in 1976. . . . .	- 3,000	- 3,000
Other offsetting receipts -- small increases are anticipated..	632	632
1977 request. . . . .	- 18,840	- 18,840

Offshore Oil Leases -- The Administration estimates for rents and royalties on the Outer Continental Shelf have been generally overly optimistic. The original 1976 estimate for these offsetting receipts was \$8.0 billion; the current estimate is \$3.0 billion. The November 10 current services estimate for 1977 was \$8.0 billion; the 1977 budget now lowers this to \$6.0 billion. The 1976 estimate in the Second Concurrent Resolution is a compromise figure of \$4.5 billion. Based on information now available, the President's current estimate of \$3.0 billion is a better figure, but even this may prove high.

Current Administration and CBO estimates for OCS receipts are as follows:

	<u>FY 75</u>	<u>FY 76</u>	<u>T.Q.</u>	<u>FY 77.</u>
Administration	2.4	3.0	0.5	6.0
CBO	2.4	2.2-2.8	0.5-0.7	2.8-4.2

Other Offsetting Receipts -- These include payments by Federal agencies to retirement funds of its employees and interest payments from the Treasury to government trust funds that hold Federal securities. These payments are estimated to total \$12.8 billion in FY 1977.



APPENDIX



BUDGET SCOREKEEPING RECORD--Impact of Congressional actions on budget requests relating to fiscal years 1969 through 1976--90th Congress, 2d Session through 94th Congress, 1st Session--as prepared and published by the staff of the Joint Committee on Reduction of Federal Expenditures and the Congressional Budget Office.

(In millions of dollars)

	Budget authority	Outlays
FISCAL YEAR 1969:		
<u>90th Congress, 2d Session:</u>		
Appropriation bills	-13,288	-4,225
Legislation other than appropriation bills:		
"Backdoor"	+465	-51
Mandatory	+272	+252
Inaction on proposed legislation	+75	+75
Subtotal	<u>-12,476</u>	<u>-3,949</u>
<u>91st Congress, 1st Session:</u>		
Appropriation bills	-462	-325
Total, fiscal year 1969	<u>-12,938</u>	<u>-4,274</u>
FISCAL YEAR 1970:		
<u>91st Congress, 1st Session:</u>		
Appropriation bills	-5,594	-2,920
Legislation other than appropriation bills:		
"Backdoor"....	+4,500	+123
Mandatory	+257	+1,228
Inaction on proposed legislation	+1,314	+1,232
Subtotal	<u>+476</u>	<u>-337</u>
<u>91st Congress, 2d Session:</u>		
Appropriation bills.....	+158	+51
Legislation other than appropriation bills:		
"Backdoor"	+840	.....
Mandatory	+107	+124
Inaction on proposed legislation	+156	+156
Subtotal	<u>+1,262</u>	<u>+331</u>
Total, fiscal year 1970	<u>+1,738</u>	<u>-6</u>
FISCAL YEAR 1971:		
<u>91st Congress, 2d Session:</u>		
Appropriation bills	-1,706	-211
Legislation other than appropriation bills:		
"Backdoor"	+5,813	+50
Mandatory	+2,696	+3,488
Inaction on proposed legislation	-4,118	+52
Subtotal	<u>+2,685</u>	<u>+3,379</u>
<u>92d Congress, 1st Session:</u>		
Appropriation bills	-911	-446
Legislation other than appropriation bills:		
"Backdoor"	.....	.....
Mandatory	-157	+626
Inaction on proposed legislation	-495	-273
Subtotal	<u>-1,564</u>	<u>-92</u>
Total, fiscal year 1971	<u>+1,121</u>	<u>+3,287</u>

BUDGET SCOREKEEPING RECORD--Impact of Congressional actions on budget requests relating to fiscal years 1969 through 1976--90th Congress, 2d Session through 94th Congress, 1st Session--as prepared and published by the staff of the Joint Committee on reduction of Federal Expenditures and the Congressional Budget Office--Continued.

(In millions of dollars)

	Budget authority	Outlays
FISCAL YEAR 1972:		
92d Congress, 1st Session:		
Appropriation bills	-2,222	-744
Legislation other than appropriation bills:		
"Backdoor"	+50	..
Mandatory	+974	+3,793
Inaction on proposed legislation	-2,768	-872
Subtotal	-3,966	+2,177
92d Congress, 2d Session:		
Appropriation bills	-771	-315
Legislation other than appropriation bills:		
"Backdoor"	+150	..
Mandatory	-501	-79
Inaction on proposed legislation	-2,708	-2,461
Subtotal	-3,830	-2,855
Total, fiscal year 1972	-7,796	-678
FISCAL YEAR 1973:		
92d Congress, 2d Session:		
Appropriation bills	-6,061	-1,355
Legislation other than appropriation bills:		
"Backdoor"	+14,145	+3,295
Mandatory	+864	+4,471
Inaction on proposed legislation	-280	-106
Subtotal	+8,667	+6,305
93d Congress, 1st Session:		
Appropriation bills	+1,175	-271
Legislation other than appropriation bills:		
"Backdoor"	+620	..
Mandatory		+94
Inaction on proposed legislation	-4,455 1/2	-1
Subtotal	-2,660	-178
Total, fiscal year 1973	+6,007 ~	+6,127 ~

BUDGET SCOREKEEPING RECORD--Impact of Congressional actions on budget requests relating to fiscal years 1969 through 1976--90th Congress, 2d Session through 94th Congress, 1st Session--as prepared and published by the staff of the Joint Committee on Reduction of Federal Expenditures and the Congressional Budget Office--Continued.

(In millions of dollars)

	Budget authority	Outlays
<b>FISCAL YEAR 1974:</b>		
<u>93d Congress, 1st Session:</u>		
Appropriation bills	-3,320	-534
Legislation other than appropriation bills:		
"Backdoor"	+8,333 <sup>1/</sup>	+15
Mandatory	+897	+3,317
Inaction on proposed legislation	-295	+728
Subtotal	+5,615	+3,526
<u>93d Congress, 1st Session:</u>		
Appropriation bills	-1,799	-880
Legislation other than appropriation bills:		
"Backdoor"		
Mandatory	-38	+151
Inaction on proposed legislation	-3,394	-380
Subtotal	-5,232	-1,109
Total, fiscal year 1974	+383	+2,417
<b>FISCAL YEAR 1975:</b>		
<u>93d Congress, 2d Session:</u>		
Appropriation bills	-5,644	-3,719
Legislation other than appropriation bills:		
"Backdoor"	+14,795	+63
Mandatory	+1,533	+2,745
Inaction on proposed legislation	+83	+691
Subtotal	+10,766	-219
<u>94th Congress, 1st Session:</u>		
Appropriation bills	-2,855	-395
Legislation other than appropriation bills:		
"Backdoor"		
Mandatory	+2,165	+2,150
Inaction on:		
Proposed legislation	+471	+849
Proposed rescissions	+1,868	+502
Subtotal	+1,649	+3,106
Total, fiscal year 1975	+12,415	+2,887
<b>FISCAL YEAR 1976:</b>		
<u>94th Congress, 1st Session:</u>		
Appropriation bills	-3,621	-2,505
Legislation other than appropriation bills:		
"Backdoor"		+300
Mandatory	+1,976	+2,697
Inaction on:		
Proposed legislation	+5,019	+7,316
Proposed rescissions	+191	+857
Total, fiscal year 1976	+3,565	+8,665

<sup>1/</sup> Includes \$3,390 million shifted from 1973 to 1974 due to timing of congressional action on budget proposals.

NOTE: Figures rounded and may not add to totals.