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**MID-SESSION REVIEW OF THE 1977 BUDGET**

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

Detail may not add to totals due to rounding.

## OVERVIEW

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

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

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

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

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

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

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

## INTRODUCTION

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

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

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

PART 1. THE BUDGET OUTLOOK

Budget Totals

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

Table 1

BUDGET TOTALS  
(fiscal periods; in billions of dollars)

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

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

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

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

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

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

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

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

#### Short-Range Economic Assumptions

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

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

Table 2

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

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

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

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

### Budget Receipts

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

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

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

Table 3

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

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

<sup>1</sup> From July 1, 1976 to January 1, 1977.

<sup>2</sup> From January 1, 1977 to January 1, 1978.

\* Less than \$50 million.

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

Table 4

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

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

\* Less than \$50 million.

### Budget Outlays

Table 4 shows the major changes in outlays since January.

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

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

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

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

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

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

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

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

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

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

Table 5

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

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

\* Less than \$50 million.

Budget Authority

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

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

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

The Budget by Fund Group, and Debt Subject to Limit

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

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

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

Table 6

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

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

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

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

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

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

Table 8

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

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

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

\* \$50 million or less.

Table 9

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

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

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

Table 10

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

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

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

\* \$50 million or less.

Table 11

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

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

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

Table 12

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

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

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

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

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

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

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

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## PART 2. LONG-RANGE PROJECTIONS

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

### Long-Range Economic Assumptions

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

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

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

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

Table 14

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

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

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

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

### Budget Projections

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

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

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

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

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

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

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

Table 15

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

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

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

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

Table 16

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

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

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Table 17

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

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

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

Table 18

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

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

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

\* \$50 million or less.

Table 19

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

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

## PERCENT OF TOTAL OUTLAYS

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

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

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

Table 20

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

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

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

Table 21

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

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

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

Projections of Outlays for Open-Ended Programs and Fixed Costs

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

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

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

Table 22

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

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

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

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

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

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

Table 23

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

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