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COMPARISON OF U.S. GOVERNMENT BUDGET DATA
ON THE UNIFIED BUDGET CONCEPT AND FEDERAL
FUNDS BASIS, FISCAL YEARS 1954-1975,
AND NATIONAL DEFENSE FUNCTION OUTLAYS
RELATED TO TOTAL BUDGET OUTLAYS AND TO
GROSS NATIONAL PRODUCT (GNP),
FISCAL YEARS 1939-1975

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At the beginning of each year, customarily in January, the President submits a new Budget of the United States Government to the Congress and the American public. Any budget is essentially a set of plans for future action. As such, the Federal budget document is the most inclusive statement of the Federal Government's proposed policies and plans for the specified budgetary period. Each budget document presents data for three fiscal years: estimated data for the forthcoming fiscal year, revised estimated data for the current fiscal year, and actual data for the most recently completed fiscal period.

The Budget of the United States Government for Fiscal Year 1975 has been compiled on the unified budget concept. The unified budget basis was used first for the fiscal year 1969 Federal budget. Prior to President Johnson's submission of the 1969 budget, in January 1968, the budget was compiled on the administrative budget basis.

The unified budget concept combines all programs of the Federal Government and its agencies. All trust funds are included in the unified budget along with the Federal funds, which previously constituted the administrative budget. The unified concept is applied to both revenues and expenditures.

Federal fund receipts are those which the government administers as owner; they are related to the historical sources of revenue such as individual and corporation income taxes, estate and gift taxes, customs duties, and those excise taxes not earmarked for a specific function or program such as the excise taxes on alcohol and tobacco products.

The Federal fund outlays are those primarily associated with what might be termed historical functions of government, such as national defense, international affairs, service of the public debt, and general government activities relating to legislation, justice, general administration, commerce, transportation, agriculture, labor, education, welfare, health, and postal service.

The annual level of budget outlays has increased at a very rapid rate over the past two decades. Total unified outlays have increased from \$70.9 billion for fiscal year 1954 to \$304.4 billion estimated for fiscal year 1975 - a 4 fold increase. Over the same period, annual trust fund payments have increased from \$6.8 billion to an estimated \$107.4 billion - a 16 fold increase; and Federal fund outlays have increased from \$65.9 billion for fiscal year 1954 to an estimated \$220.6 billion for fiscal year 1975.

Trust fund receipts are paid into accounts established for specific purposes and programs. These receipts are administered by the government in a trustee of fiduciary capacity. Some of the major Federal trust funds are: Civil Service Retirement and Disability Fund, Federal Hospital Insurance Trust Fund, Federal Supplemental Medical Insurance Trust Fund, Railroad Retirement Accounts, Unemployment Trust Fund, and National Service Life Insurance Fund.

Table 1 provides budget data (annual outlays, receipts, surplus or deficit) on the unified budget concept and the Federal funds basis for fiscal years 1954 to 1975. Table 1 also shows the U. S. Government public debt (subject to debt limit legislation) outstanding at fiscal year-end.

The change in the level of the public debt annually is not determined by the surplus or deficit in the unified budget which includes trust fund transactions; rather, the debt increase is related closely to the deficit in the

in the Federal funds of the budget. This deficit has to be financed by borrowed funds which add to the public debt. The estimated Federal funds deficit for fiscal year 1975 is \$17.9 billion; it is expected to be financed by borrowing approximately \$9 billion from the trust fund accounts, and the remainder will be borrowed from the general public. At the end of fiscal year 1973 the trust funds owned \$113.5 billion of public debt securities, by the end of fiscal year 1975 the trust funds holdings of debt securities are expected to increase to about \$136.1 billion.

The U. S. Gross National Product (GNP) is a measure of the total output of goods and services by the United States. The total budget outlays of the U. S. Government indicate the magnitude of the participation of the Government in the economy. Table 2 provides data with respect to the shares of the GNP and Federal outlays allocated to the national defense sector for each fiscal year since 1939.

Federal budget outlays may be expressed on the unified budget basis or on the Federal funds basis. Consequently, in comparing outlays for national defense to the two major measurements of budget outlays, different things are shown. "Defense outlays as a percent of unified budget outlays" shows the portion of total Government spending which goes to the defense sector. "Defense outlays as a percent of Federal funds outlays" indicates the portion of discretionary Federal spending which is allocated to defense purposes.

Only a negligible portion of total defense outlays are paid from trust fund accounts.^{2/} The exclusion of trust fund outlays from overall budget outlays

^{1/} Data for Federal budget outlays are available on the unified and Federal funds bases only since fiscal year 1954. Before 1954, administrative budget data are provided; these data are generally comparable though not identical to the Federal funds basis of the unified budget concept. No figures comparable to the unified budget are available for years prior to fiscal 1954.

^{2/} The portion of trust funds in total defense function outlays is too small (less than one-tenth of one percent) for the purposes of this report to warrant separating them out.

affects the total defense budget minimally. However, for the budget as a whole, this exclusion accounts for the difference between unified budget outlays and Federal funds outlays - a difference which has been steadily increasing since 1954. Consequently, defense function outlays annually compose a larger share of Federal funds outlays than of unified budget outlays.

A comparison of outlays for the national defense function to the GNP reveals the percentage of total economic output which is allocated to defense programs and activities.

For the 37 year period over which Federal funds outlays (Administrative budget expenditures, 1939-1953) and the GNP have been charted in Table 2, the general trend of defense spending, relative to Federal funds outlays and the GNP, has been fairly uniform. The defense function as a percentage of GNP and of Federal funds outlays increased during World War II, decreased between 1946 and 1950, increased during the Korean conflict, and, with the exception of a slight rise during fiscal years 1966-1969, has declined steadily since 1954.

For the 21 years for which data on the unified budget concept are available, the trend in defense outlays as a percentage of budget outlays has followed the general pattern noted above.

TABLE 1
COMPARISON OF U. S. GOVERNMENT ANNUAL BUDGET DATA ON THE
UNIFIED BUDGET CONCEPT AND THE FEDERAL FUNDS BASIS AND
PUBLIC DEBT OUTSTANDING AT FISCAL YEAR END, 1954-1975
(Amounts Expressed in Millions of Dollars)

Fiscal Year	Unified Budget Concept 1/			Federal Funds Budget Basis 1/			U. S. Government Public Debt Subject to Limitation 2/
	Receipts	Outlays	Surplus or Deficit (-)	Receipts	Outlays	Surplus or Deficit (-)	
1954	\$ 69,719	\$ 70,890	\$- 1,170	\$ 62,790	\$65,924	\$- 3,134	\$ 270,790
1955	65,469	68,509	- 3,041	58,112	62,279	- 4,167	273,915
1956	74,547	70,460	4,087	65,367	63,761	1,606	272,361
1957	79,990	76,741	3,249	68,768	67,142	1,626	270,188
1958	79,636	82,575	- 2,939	66,580	69,731	- 3,151	276,013
1959	79,249	92,104	-12,855	65,827	77,071	-11,244	284,398
1960	92,492	92,223	269	75,650	74,865	785	286,065
1961	94,389	97,795	- 3,406	75,179	79,336	- 4,157	288,862
1962	99,676	106,813	- 7,137	79,703	86,594	- 6,891	298,212
1963	106,560	111,311	- 4,751	83,550	90,141	- 6,591	306,099
1964	112,662	118,584	- 5,922	87,205	95,761	- 8,556	312,164
1965	116,833	118,430	- 1,596	90,943	94,807	- 3,864	317,581
1966	130,856	134,652	- 3,796	101,427	106,512	- 5,085	320,102
1967	149,552	158,254	- 8,702	111,835	126,779	-14,944	326,471
1968	153,671	178,833	-25,161	114,726	143,105	-28,379	350,743
1969	187,784	184,548	3,236	143,236	148,811	- 5,490	356,932
1970	193,743	196,588	- 2,845	143,158	156,301	-13,143	373,425
1971	188,392	211,425	-23,033	133,785	163,651	-29,866	399,475
1972	208,649	231,876	-23,227	148,846	177,959	-29,113	428,576
1973	232,225	246,526	14,301	161,357	186,400	-25,043	459,089
1974(est)	270,000	274,660	- 4,660	185,581	203,715	-18,133	475,400
1975(est)	295,000	304,445	- 9,445	202,757	220,636	-17,878	495,200

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- 1/ The unified budget concept includes both Federal funds and trust funds for receipts and outlays. Federal funds correspond roughly to the old administrative concept used by the Federal Government prior to fiscal year 1969. Federal funds are those which the government administers as owner as distinguished from those administered in a trustee or fiduciary capacity (the trust funds). Historical functions of government, such as National Defense, Veterans' benefits, Commerce, Labor, Agriculture, interest on the public debt, and others are paid from Federal funds (tax revenue and borrowed funds). Income taxes (individuals and corporations), most excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts are paid into the Federal funds accounts from which all Federal funds expenditures are paid. All trust funds receipts are paid into the specific trust fund accounts for which the revenue is earmarked. All trust fund payments are made from the specific trust funds accounts. Trust funds surplus receipts are invested in Federal securities (public debt or Federal agencies obligations). At the end of fiscal year 1973 the trust funds owned \$113.5 billion of public debt securities. Major Federal trust funds are: old-age and survivors insurance, disability, insurance, health insurance, unemployment, Federal employees retirement, railroad employees retirement, and the highway trust fund.
- 2/ Since the Second Liberty Bond Act of September 24, 1917, the U. S. Government gross public debt has been subject to a statutory ceiling or maximum limit. Public Law 93-173 December 3, 1973, temporarily increased the debt limit by \$75.7 billion to \$475.7 billion through June 30, 1974. Since 1954 there have been 26 legislative measures increasing or extending the public debt limit. During this period the debt limit has been raised from \$275 billion to \$475.5 billion. New legislation would be required by June 30, 1974 to raise the public debt limit above the current level of \$475.5 billion to permit financing of the anticipated budget deficits.

SOURCES: U. S. Office of Management and the Budget (Selected budget documents).
U. S. Treasury Department (Selected Treasury reports).

GROSS NATIONAL PRODUCT (GNP), U. S. GOVERNMENT TOTAL
 BUDGET OUTLAYS (UNIFIED BUDGET CONCEPT AND FEDERAL FUNDS BASIS),
 AND OUTLAYS FOR THE NATIONAL DEFENSE FUNCTION FOR FY 1939 TO 1975
 (Dollar Amounts in Billions)

Fiscal Year	GNP	U. S. Government Total Outlays 1/		U. S. Government Outlays for National Defense Function			
		Unified Basis 2/	Federal Fund Basis	As a % of Total Outlays		As A Percent of GNP	
				Unified Basis	Federal Funds Basis		
1939	\$ 87.6		\$8.84	\$ 1.07		12.1%	1.2%
1940	95.0		9.05	1.50		16.6	1.6
1941	109.4		13.25	6.05		45.7	5.5
1942	139.2		34.0	24.0		70.6	17.3
1943	177.5		79.4	63.2		79.6	35.6
1944	201.9		95.0	76.8		80.8	38.0
1945	216.8		98.3	81.3		82.7	37.5
1946	201.6		60.3	43.2		71.6	21.4
1947	219.8		38.9	14.4		37.0	6.5
1948	243.5		33.0	11.8		35.8	4.8
1949	260.0		39.5	12.9		32.7	5.0
1950	263.3		39.5	13.0		32.9	4.9
1951	310.5		44.0	22.5		51.1	7.2
1952	337.2		65.3	44.0		67.4	13.1
1953	358.9		74.1	50.4		68.0	14.0
1954	362.1	\$70.9	65.9	46.6	65.7%	70.7	12.9
1955	378.6	68.5	62.3	40.2	58.7	64.5	10.6
1956	409.4	70.5	63.8	40.3	57.2	63.2	9.8
1957	431.3	76.7	67.1	42.8	55.8	63.8	9.9
1958	440.3	82.6	69.7	44.4	53.8	63.7	10.1
1959	469.1	92.1	77.1	46.6	56.4	60.4	9.9
1960	495.2	92.2	74.9	45.9	49.8	61.3	9.3
1961	506.5	97.8	79.3	47.4	48.5	59.8	9.4
1962	542.1	106.8	86.6	51.1	47.8	59.0	9.4
1963	573.4	111.3	90.1	52.3	47.0	58.0	9.1
1964	612.2	118.6	95.8	53.6	45.2	55.9	8.8
1965	654.2	118.4	94.8	49.6	41.9	52.3	7.6
1966	721.2	134.7	106.5	56.8	42.2	53.3	7.9
1967	769.8	158.3	126.8	70.1	44.3	55.3	9.1
1968	826.0	178.8	143.1	80.5	45.0	56.3	9.7
1969	898.3	184.5	148.8	81.2	44.0	54.6	9.0
1970	955.0	196.6	156.3	80.3	40.8	51.4	8.4
1971	1,010.4	211.4	163.7	77.7	36.8	47.5	7.7
1972	1,093.1	231.9	178.0	78.3	33.8	44.0	7.2
1973	1,220.0	246.5	186.4	76.0	30.8	40.8	6.2
1974(est)	1,340.0	274.7	203.7	80.6	29.3	39.6	6.0
1975(est)	1,455.0	304.4	220.6	87.7	28.8	39.8	6.0

- 1/ Data for total U. S. Government outlays are not available on the Federal Funds or Unified Budget basis prior to fiscal year 1954. Figures for the "Administrative Budget" which correspond generally to the Federal funds basis have been used for fiscal years 1939-1953. Data comparable to the Unified Budget basis are not available for years prior to fiscal 1954.
- 2/ Budget data on Unified basis not available prior to fiscal year 1954.

SOURCES: U. S. Office of Management and Budget
U. S. Department of Commerce