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

MEETING ON THE 1980 BUDGET
AND ECONOMIC OVERVIEW
Friday, October 27, 1978
2:30 P.M. (90 minutes)
The Cabinet Room

From: James T. McIntyre, Jr.

I. PURPOSE

This overview session begins your review of the 1980 budget. Its emphasis is on longer-range implications of current policy and some alternative budget and economic strategies. Supporting materials are included in the attachment.

II. PARTICIPANTS

The Vice President
Hamilton Jordan
Jody Powell
Stuart Eizenstat
Charles Schultze
Lyle Gramley
Jack Watson
Anne Wexler
Zbigniew Brzezinski
Frank Press
James Fallows
James McIntyre
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Dale McOmber
David Mathiasen
Darwin Johnson
Van Ooms

Attachment

October 25, 1978

The Economic and Budgetary Outlook for 1979 and 1980

Economic expansion has slowed this year from the 5-1/2 percent rate of 1977. During the first half of 1978, real GNP rose at an annual rate of 4-1/4 percent, and the pace subsided to 3-1/2 percent in the third quarter.

As economic growth has slowed, progress in reducing unemployment has halted, at least temporarily. Since April, the overall unemployment rate has stayed close to 6 percent.

This moderation in the rate of growth, and the absence of further declines in the unemployment rate, have not been undesirable. Inflation has accelerated appreciably this year and is threatening the continuance of the recovery. Some economists contend that a recession in 1979 or 1980 has now become a high probability. We believe that continuation of growth in the range of about 3 to 3-1/4 percent over the next two years is achievable -- provided that the new anti-inflation program is relatively successful.

Base Economic Forecast

Our base economic forecast for 1979 and 1980 is premised on three principal assumptions:

1. Fiscal Policy. Budget outlays are $491 billion in fiscal 1979 and $532 billion in fiscal 1980. The Congressional tax bill is signed, so that taxes are reduced effective Janaury 1, 1979 for individuals and businesses.

2. Monetary Policy. The Federal Reserve continues for a while longer its efforts to moderate growth of the monetary aggregates. Short-term interest rates therefore increase somewhat further and reach a peak of 9-1/4 percent for the Federal funds rate early next year. Thereafter, the Federal Reserve lets interest rates decline as the rate of inflation moderates.

3. Anti-Inflation Program. The new anti-inflation program is relatively successful. We allow for about one-half percentage point of slippage on the wage side, but assume that firms hold the line on prices sufficiently to keep profit margins about unchanged. This would imply a reduction in the inflation rate to about 6-1/2 percent next year, provided we do not have bad luck on the food front or significant further depreciation of the dollar in exchange markets. The pay and price standards could then be tightened in 1980 to bring the inflation rate down further to about 6 percent.

Economic Results

Under these assumptions, we would expect economic growth to slow next year to a shade under 3 percent (Table 1) from an estimated 3.7 percent in 1978. Housing starts are likely to decline moderately next year as a consequence of the substantial rise that has already occurred in mortgage interest rates. Also, the

growth of consumer spending -- although bolstered by the tax cut early in 1979 -- appears likely to lag behind the rise in consumer after-tax incomes. The saving rate is expected to rise from its present low level because consumer debt burdens have increased substantially during the course of the recovery as individuals added to their stocks of autos, household appliances, furniture, and other durable goods. As the rise in consumer spending moderates, the pace of expansion in business investment is also likely to taper off somewhat in 1979.

If the rate of inflation slows during 1979 because of the anti-inflation program, however, a moderate pace of economic expansion might be sustained in 1980, even though fiscal policy would be moving toward greater restraint. Improvement on the inflation front would do a good deal to ease apprehension of consumers and business, so that they would spend more freely. And if the Federal Reserve permits interest rates to decline with moderating inflation, and a relatively slow rate of economic expansion, the outlook for housing would also brighten.

The rate of growth we are forecasting for 1979 and 1980 is somewhat below the economy's long-term potential growth of about 3-1/4 to 3-1/2 percent per year. We would therefore have to expect a rise in unemployment unless productivity gains are very small, as they have been in the past four quarters. Assuming a normal productivity performance, which we need to fight inflation, the unemployment rate would rise to a little over 6-1/2 percent by the end of 1980.

Budgetary Results

An economic performance along the lines of our base forecast would mean a budget deficit of just under $40 billion in fiscal 1979 and about $30 billion in fiscal 1980. It may be noted that the increase in receipts forecast for fiscal 1980 ($50 billion) is the same as that forecast for fiscal 1979, despite the fact that no new tax cut is assumed in 1980. The reason is that the Congressional tax bill reduces expected receipts by $11½ billion in fiscal 1979 and by $23½ billion in fiscal 1980. (The reductions in calendar year liabilities, however, are not far apart).

Effects of Fiscal Alternatives on the Economic and Budgetary Outlook

We have examined the probable economic and budgetary results of two alternative courses of fiscal policy that you may wish to consider for fiscal 1980. The first is to hold down Federal outlays in fiscal 1980 to $525 billion -- $7 billion below the level assumed in the base forecast. The second is to use the budget room created by the additional expenditure restraint to initiate a reduction in social security taxes.

The reduction in social security taxes assumed involves a rollback of the tax rate and wage base increases for 1979 and 1980 mandated in the 1977 Social Security Amendments. It is assumed that this tax cut is enacted by April and is effective May 1, 1979 (assuming a midyear reduction is technically feasible):

- o The tax rate declines from the scheduled 6.13 percent to the current rate of 6.05 percent.
- o The wage base is reduced from $22,900 to $18,900 in 1979, and from $25,900 to $20,400 in 1980.

These changes would reduce calendar year revenues by $6.6 billion in 1979 and by $9.8 billion in 1980.

Table 2 shows the economic and budgetary results we would expect to accompany these two alternative courses of fiscal policy and compares them with the base forecast.

Reduced Federal Expenditures...

The reduction of $7 billion in Federal outlays in fiscal 1980 would reduce the growth rate of economic activity moderately (line B), so that by the end of 1980 the level of real GNP would be about one-quarter to one-half percent below that in the base forecast. The unemployment rate at that time, therefore, would be a tenth or so higher. Because of slower economic growth, some of the effects on the deficit of holding down spending would be offset by a reduction in receipts, but the deficit in fiscal 1980 would be about $5 billion lower than in the base forecast.

Accompanied by a Reduction in Social Security Taxes....

If the reduction in Federal outlays were accompanied by the Social Security tax cut (line C), economic growth would be restored to about the rate in the base forecast. The budget deficit would be slightly higher than in the base forecast. In fiscal 1980, it would be $32 billion, somewhat above the level of the deficit to which you are publicly committed.

But this difference is not large enough to rule out a cut in Federal expenditures and in social security taxes as an option to consider.

The Social Security tax cut will reduce employers' payroll taxes by about $5 billion by 1980. This would make a small, but welcome, contribution to the fight against inflation. By the end of 1980, the level of prices would be about 1/4 of one percent lower because of the Social Security tax reduction, and there would be some further small anti-inflation benefits in subsequent years.

The economic results of these two fiscal alternatives may appear to be too small to be consequential. However, if our economic growth rate slows over the next two years to a pace somewhat below its long-term growth potential, as we expect, there is always the danger that a small degree of additional fiscal or monetary restraint may be the straw that breaks the camel's back. Therefore, our estimates of the impact of the first alternative may underestimate the economic effects of restraint on Federal expenditures in a slow-growth economy. Similarly, the effects of a Social Security tax cut on the inflation rate, though not large, may have important psychological benefits on a public that has become weary of rising prices.

Prospects for a Weaker Economy

It does not seem very likely that economic growth over the next two years will proceed at a significantly faster pace than we have assumed in our base forecast. There are significant risks, however, that economic growth may weaken more than we now expect. It is therefore useful to consider the

developments most likely to produce a worsened outlook for the economy.

High-Inflation Forecast

The single development most likely to undermine economic growth next year is the possibility that inflation may not be moderated by the new program. That risk is a serious one. For example, if the Teamsters were to force a settlement early in 1979 granting increases in wage and fringe benefits averaging 10 percent a year, as they did in 1976, hopes of getting other large unions to come in with contracts at or close to the pay standard would be slim. Continuing depreciation of the dollar and low meat supplies also pose a threat to our inflation forecast.

In the absence of a successful anti-inflation program, we would expect the inflation rate during 1979 to be in the 7-1/2 to 8 percent range, more than a full percentage point above the the rate in our base forecast.

An inflation rate in the 7-1/2 to 8 percent range would have adverse effects on the economy for two reasons:

1) Even without any overt actions by the Federal Reserve to tighten up on the growth of money and credit, interest rates would be driven up. Housing construction and other forms of economic activity would be adversely affected. The results of these interest rate effects on the economy and the budget are shown in line B of Table 3.

2) Continuation of an inflation rate near 8 percent would be likely to provoke more strenuous efforts by the Fed to bring inflation under better control. Also, the

adverse effects on confidence of consumers and businesses would further weaken economic growth, as indicated in line C of Table 3.

The effect of higher inflation alone on interest rates (line B) would be likely to reduce our economic growth rate by about one percentage point -- to about a 2 percent rate -- during each of the next two years. But since a 2 percent economic growth rate is well below our long-term potential, the unemployment rate would rise substantially, to about 7-1/2 percent by late 1980.

Such a slowdown in economic growth would, of course, tend to moderate the rise in Federal revenues and thus enlarge the deficit. But the higher rate of inflation would have a greater effect on receipts than on Federal expenditures, so that the deficit in fiscal 1980 would be about the same as in the base forecast.

Federal Reserve and public reaction to the worsened inflation (depicted by the forecast in line C) might well produce an outright recession next year, perhaps beginning in the second or third quarter. The typical pattern of recessions in the postwar period would suggest that an upturn would get underway in 1980. For purposes of this exercise, we have tried to assess how much strength the recovery might have if deliberate steps were not taken through fiscal and monetary policies to speed the recovery process. Our conclusion is that unless monetary and fiscal policies were reoriented toward economic stimulation, the recovery would lack the typical vigor of recovery from earlier postwar recessions. Indeed, the unemployment rate by the end of 1980 could be in the range of 7-3/4 percent and still rising.

A weaker economy than in our base forecast would help to moderate the rate of inflation by 1980, but the benefits would be small. Even with an outright recession next year, the inflation rate would probably be only a little under 7 percent by the end of 1980.

An unsuccessful anti-inflation program, combined with an outright recession next year, would pose a serious dilemma for public policy. The deficit in the Federal budget would be large and rising; the inflation rate would be coming down somewhat, but it would still be at unacceptably high levels. These considerations would make it more difficult to pursue the aggressive fiscal and monetary policies needed to reinvigorate economic activity and stop unemployment from rising further.

Table 1

Economic and Budgetary Results: Base Forecast

	1978	1979	1980
Economic Results: Calendar Years			
Real GNP Growth Q4/Q4, (%)	3.7	2.9	3.2
Unemployment Rate Q4 (%)	6.0	6.4	6.6
Inflation Rate Q4/Q4 (%)	8.0	6.4	6.0
Budgetary Results: Fiscal Years			
Outlays (bil.$)	451	492	532
Receipts " "	402	453	502
Deficit(-) " "	-49	-39	-30

Table 2

Economic and Budgetary Results of Alternative Fical Policies

	1979	1980
Economic Results: Calendar Years		
Real GNP Growth Q4/Q4 (%)		
A. Base Forecast	2.9	3.2
B. Lower Federal Outlays	2.8	2.9
C. Lower Federal Outlays and Social Security Tax Cut	3.0	3.2
Unemployment Rate Q4 (%)		
A. Base Forecast	6.4	6.6
B. Lower Federal Outlays	6.4	6.7
C. Lower Federal Outlays and Social Security Tax Cut	6.4	6.5
Inflation Rate Q4/Q4 (%)		
A. Base Forecast	6.4	6.0
B. Lower Federal Outlays	6.4	6.0
C. Lower Federal Outlays and Social Security Tax Cut	6.2	5.9
Budgetary Results (Fiscal Years)		
Deficit(-) (Bil. $)		
A. Base Forecast	-39	-30
B. Lower Federal Outlays	-39	-25
C. Lower Federal Outlays and Social Security Tax Cut	-40	-32

Table 3

Economic and Budgetary Results in a Weaker Economy

	1979	1980
Economic Results: Calendar Years		
Real GNP Growth Q4/Q4 (%)		
A. Base Forecast	2.9	3.2
B. Higher Inflation	2.0	2.0
C. Higher Inflation, with Heightened Responses	0.7	2.7
Unemployment Rate Q4 (%)		
A. Base Forecast	6.4	6.6
B. Higher Inflation	6.7	7.5
C. Higher Inflation, with Heightened Responses	7.1	7.8
Inflation Rate Q4/Q4 (%)		
A. Base Forecast	6.4	6.0
B. Higher Inflation	7.8	7.1
C. Higher Inflation, with Heightened Responses	7.7	6.8
Budgetary Results: Fiscal Years		
Deficit(-) (Bil.$)		
A. Base Forecast	-39	-30
B. Higher Inflation	-37	-30
C. Higher Inflation, with Heightened Responses	-42	-40

FY 1980 BUDGET

FALL PRESIDENTIAL OVERVIEW SESSION

Budget Review Division
October 27, 1978

ADMINISTRATIVELY CONFIDENTIAL

Copy No. 1

PREVIEW OF THE 1980-1982 BUDGET PLANNING PERIOD

Introduction

This preview discusses the outlook for the 3-year planning period beginning with the 1980 budget and ending with 1982.1/

The 3-year planning and tracking system was established last January by a Presidential statement and OMB instructions. It carries out one of your campaign commitments. This system is essential to the development of longer-term budgetary control. The 1980 budget will be the greatest area of concern during the coming months, because final Presidential recommendations on the 1980 budget will be sent to the Congress in January, and because fiscal restraint is an integral part of the Administration's anti-inflationary effort. However, many decisions for the 1980 budget will affect the planning period through 1982 and beyond. The implications of budget decisions are often greater beyond the budget year than for the budget year itself. Therefore, it is important that 1980 budget decisions reflect conscious understanding of the impact on the entire 3-year planning period. We plan to highlight the 3-year planning estimates in the presentation of the 1980 budget.

The first part of this Presidential overview considered your economic advisers' best-guess forecast of the economy -- assuming a successful anti-inflation policy -- and the effects of alternative budget policies. The figures presented in this section, and in subsequent budget review materials, are based on economic assumptions that are more optimistic than the base forecast, especially for 1980. The economic assumptions used were judged to be close to those that the Administration might want to show in the 1980 budget document. Economic assumptions used in the budget

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1/ Projections of the 1980-82 planning base through 1983 and 1984 are included in the Appendix Tables for informational purposes. We do not expect this fall's budget process to consider issues that would have their initial impact in 1983 or 1984.

document have been to varying degrees more optimistic than a best-guess forecast since these assumptions were first published in the 1976 budget.

OMB and CEA plan to review the economic assumptions to be published in the budget with considerable care. While they should indicate the President's confidence in the economy and in his economic policies, they should not be overly optimistic for the following reasons:

-- The congressional budget now involves a full and early examination of the Administration's economic assumptions. If the assumptions used are not considered credible, the Congress is less likely to take the budget as a whole as seriously.

-- Overly optimistic assumptions will appear to minimize the difficulty in achieving fiscal policy goals by producing higher receipts and lower outlays (e.g., for interest and unemployment compensation). This might also encourage the Congress to enact larger spending proposals than is prudent.

The outlay and receipt estimates reflect the costs for 1980 and beyond of current Presidential policies -- both those that have been announced, and those that have not yet been made public but on which there are firm decisions. The current budget outlay total of $547 billion for 1980 is substantially above the amounts assumed for purposes of discussing the economic outlook, and above the amounts that have been suggested by your economic advisers. However, from the point of view of the operating agencies, the figures represent what they expect to spend for already on-going or approved programs unless the policies and plans that underlie the figures are changed. From an agency perspective, their outlay figures represent floors rather than ceilings. The $14 billion reduction necessary to reach a deficit target below $30 billion in 1980 should be viewed in this context.

Our preliminary assessment of agency 1980 budget requests indicates that they are asking for program levels that would result in total outlays of around $550 billion, compared with July ceiling plans of $537 billion and a total of around $532 billion after an outlay scrub.

As with outlays, the receipts estimates reflect the economic assumptions. They also reflect the tax bill as passed by the Congress.

The figures used in this overview assume that Federal pay will increase by 6.5% for each of the next three years. Thus, the October 1979 pay increase (which affects the 1980 budget) does not assume a catchup for the below-comparability increase this year. Full comparability (as currently defined) for full catchup would be about 10%, of which about 3% would be required to make up for the below-comparability increase this year. While there will be strong pressure to restore comparability, there will also be strong arguments to have at least as low a pay increase in 1979 as the 5.5% we had this year as part of the Administration's anti-inflationary program. Holding to 6.5% has reduced our estimates by about $2 billion relative to full comparability. A further reduction to this year's level of 5.5% would save an additional $550 million in 1980 that is not included in our calculations. OMB and the Civil Service Commission are developing plans for comprehensive reform of existing compensation legislation.

Summary of the Fiscal Outlook

Table 1 summarizes the fiscal outlook under the economic assumptions described above, and compares it to the budget outlook in January and July.

Outlays in 1980 are about $2 billion lower than estimated in July. This relatively small downward revision masks several large, but nearly offsetting, changes. Higher interest rates, inflation, and unemployment, for example, have together added $5.1 billion to estimated spending in 1980. These upward revisions have been more than offset in 1980, however, by policy changes (such as removal of energy rebates) and other revised legislative assumptions, congressional action, and downward reestimates.

The outlay estimate of $547 billion in 1980 indicates the magnitude of the budget problem in achieving the Administration's spending targets.

Receipts in 1980 are nearly $4 billion lower than estimated in July, primarily due to changes in assumptions regarding energy and tax reduction legislation.

Receipts and Outlays as a Percent of GNP

Table 2 shows that receipts are projected to increase as a share of GNP over the planning period. This increase is more than a full percentage point between 1979 and 1982. Two principal factors cause this increase:

-- An increase in the average tax rate on personal income as inflation and real growth move taxpayers into higher tax brackets. This increase averages in the neighborhood of $15 billion per year between calendar years 1979 and 1982 under the fall overview economic path, which includes the assumption that the rate of inflation will decline to about 5% by 1982. If the inflation rate is higher than assumed, this increase would be significantly larger.

Table 1.--THE FISCAL OUTLOOK
(in billions of dollars)

	1977 actual	1978	1979	1980	1981	1982
January Budget Estimates						
Receipts	357.8	401.3	440.5	506.2	584.8	658.5
Outlays	402.8	463.1	501.0	543.7	576.1	613.3
Surplus or deficit (-)	-45.0	-61.8	-60.5	-37.5	8.6	45.2
Mid-Session Review Estimates						
Receipts	357.8	401.2	448.2	507.3	580.0	651.3
Outlays	402.8	452.3	496.6	549.4	591.3	631.0
Surplus or deficit (-)	-45.0	-51.1	-48.5	-42.1	-11.3	20.3
October Estimates						
Receipts	357.8	402.0	452.7	503.6	575.2	651.2
Outlays	402.8	450.7	491.6	547.5	596.0	635.7
Surplus or deficit (-)	-45.0	-48.7	-38.9	-43.9	-20.8	15.5
July Ceilings						
Outlays	---	---	---	537.0	574.9	613.9
Surplus or deficit (-)	---	---	---	-33.4	0.3	37.3

-- Increases in the social security tax rate and taxable earnings base scheduled under current law. The largest increase is in January 1981, when the rate is scheduled to rise from 12.26% to 13.3%, and the base from $25,900 to $29,700. These increases raise calendar year 1981 tax liabilities by $18 billion.

The Administration's goal of reducing 1981 outlays to 21% of GNP was met in the January projections. It can also be met under the 1981 planning ceilings resulting from the spring review process. However, it is not met under the current estimates for 1981; the percentage only drops to 21.5%. A reduction of $12 billion from the current estimates for 1981 must be made to meet the 21% target.

Table 2.--RECEIPTS AND OUTLAYS AS A PERCENT OF GNP

	Average, 1968-77	1978	1979	1980	1981	1982
GNP as assumed in this section:						
Receipts	19.2	19.7	20.0	20.1	20.8	21.4
Outlays using current estimates	21.1	22.1	21.7	21.9	21.5	20.9
Outlays using current ceilings	n.a.	n.a.	n.a.	21.5	20.8	20.2

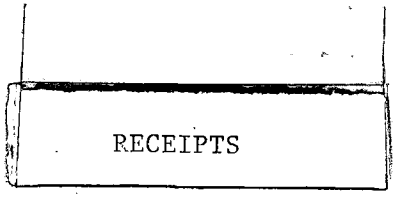
n.a. = not applicable

Coupled with the goal of holding the budget to 21% of GNP is that of achieving a balanced budget which, of course, implies receipts will also be 21% of GNP. It may be useful to put these goals in perspective:

-- Spending now (1975-1979) routinely runs at about 22% of GNP; hence, achieving the 21% goal will require a significant decline in spending relative to GNP--or a significant growth in GNP relative to spending.

-- Receipts are now about 19-20% of GNP, so the 21% target with a balanced budget will require an increase in taxes relative to GNP. Federal taxes relative to GNP exceeded 21% in only one year in the Nation's history (1944); Federal taxes have exceeded 20% of GNP in only two other (both wartime) years--1969 and 1970, when an income tax surcharge was in effect; hence, the 21% level constitutes a high watermark for peacetime Federal taxes relative to GNP.

-- A balanced budget will be unusual; since 1950, there have been only five surpluses, which--added together--totalled $17 billion; the 26 deficits from 1950-79 total an estimated $423 billion.


RECEIPTS

Receipts

Table 3 shows that current receipt estimates have been revised downward since July for each year (1980-82). Current estimates are based on the tax reduction and reform legislation and the energy tax legislation passed by the Congress. Substitution of the congressional tax reduction and reform legislation for the Administration's proposals reduces receipts in 1980 and 1981 and increases receipts in 1982. Substitution of the congressional energy tax legislation for the Administration's NEP proposals reduces receipts by $3.8 billion in 1980, $5.4 billion in 1981, and $6.8 billion in 1982.

The current estimates of receipts also assume an acceleration of State and local social security tax deposits. The July estimates assumed a schedule including a one-time gain of deposits of $1.1 billion in 1980 and another one-time gain in 1981. These estimates, which reflect HEW's latest draft regulations, assume that the full one-time increase in deposits occurs in 1980, thereby shifting about $1 billion of deposits from 1981 into 1980.

Technical reestimates and revised incomes -- primarily lower personal incomes and higher corporate profits -- result in a net decrease in receipts in 1980 and net increases in 1981 and 1982.

Table 3.--CHANGES IN ESTIMATED BUDGET RECEIPTS SINCE JULY
(in billions of dollars)

	1980	1981	1982
July estimate	507.3	580.0	651.3
Changes in legislation:			
Revisions to tax reduction and reform legislation	-0.1	-0.2	0.3
Revisions to energy tax legislation	-3.8	-5.4	-6.8
Further speed-up of social security collections 1/	1.1	-1.1	*
Other	0.1	0.1	0.2
Subtotal, Changes in legislation	-2.7	-6.5	-6.2
Reestimates and revised incomes	-1.0	1.7	6.1
Total revisions	-3.7	-4.8	-0.1
Current estimate	503.6	575.2	651.2

1/ This change can be accomplished by administrative action.
* $50 million or less.

MULTI-YEAR OUTLAYS

Multi-Year Planning Base Outlay Estimates

The outlay estimates for the multi-year planning base assume the following:

-- the 1979 budget as enacted, including the energy and tax bills;

-- Administration initiatives, such as welfare reform and medical cost containment (adjusted for revised effective dates);

-- continuation of current market interest rates for 1979 and 1980; and

-- less than full comparability for the October 1979 pay increase (6.5% instead of the 10% required for comparability).

The outlay totals have been revised twice since the Spring Overview in May. Table 4 shows the totals for 1979 to 1982 from the Spring Overview up to the current estimates.

Table 4.--OUTLAY TOTALS: SPRING, MID-SESSION, CURRENT
(in billions of dollars)

	Spring Overview	Mid-Session Review	Current Estimate
1979.....	499.8	496.6	491.6
1980.....	555.2	549.4	547.5
1981.....	594.6	591.3	596.0
1982.....	638.4	631.0	635.7

Estimated outlays for 1979 and 1980 are about $8 billion lower than the Spring estimates. Outlays for 1981 and 1982 have changed by about $2 billion since the

Table 5.--RECONCILIATION FROM SPRING OVERVIEW OUTLAY ESTIMATES TO MID-SESSION ESTIMATES
(in billions of dollars)

	1979	1980	1981	1982
Spring Presidential Overview estimates	499.8	555.2	594.6	638.4
Changes:				
DOD-Military (reestimates)	-3.4	-4.4	-4.8	-4.7
Agriculture (mostly price supports)	0.3	0.6	1.0	1.2
Treasury (mostly interest)	0.2	0.4	-0.1	-2.5
Labor (unemployment and welfare reform--jobs)	0.2	-1.7	-0.4	-1.1
Veterans Administration	0.4	0.4	0.5	0.5
Environmental Protection Agency (mostly construction grants)	-0.7	-0.6	---	---
Allowances for contingencies and nondefense pay increases	---	-0.4	-0.8	-1.6
Undistributed offsetting receipts	-0.1	0.4	0.9	1.1
Other (net)	-0.1	-0.5	0.4	-0.3
Subtotal	-3.2	-5.8	-3.3	-7.4
Mid-Session Review estimate	496.6	549.4	591.3	631.0

Table 6.--RECONCILIATION FROM MID-SESSION OUTLAY ESTIMATES TO CURRENT ESTIMATES
(in billions of dollars)

	1979	1980	1981	1982
Mid-Session Review estimate	496.6	549.4	591.3	631.0
Effect of revised economic assumptions:				
Pay raises and inflation	0.8	2.2	3.0	3.9
Unemployment rate	0.4	0.8	0.7	0.8
Interest	2.3	1.9	1.3	-0.6
Subtotal	3.5	5.1	5.0	4.1
Distribution of 1980 inflation allowance	---	-1.9	-2.1	-2.2
Reestimates and congressional action:				
Fuel efficiency legislation (energy rebates)	-1.4	-2.5	-3.0	-3.1
Taxable municipal bond option (delay)	-0.1	-0.4	-0.6	-1.1
Urban initiatives and countercyclical assistance	-1.4	-2.1	-1.0	-0.7
Earned income tax credit	---	0.7	0.7	---
CETA	-0.8	2.2	2.5	2.5
Agriculture: Price support and related programs	0.2	0.3	1.6	1.7
EPA (mostly construction grants)	-0.8	-0.7	-1.1	-0.7
MAP trust fund	-0.7	0.4	0.3	0.4
DOD-Military (excluding economic assumptions)	-0.1	-0.6	-0.4	-0.3
Department of Energy	-1.2	-1.6	0.7	0.9
National Institutes of Health	0.1	0.3	0.3	0.3
Medicare	-0.2	0.3	0.4	0.6
GNMA mortgage purchase	---	-0.8	-0.1	-0.2
Export-Import Bank	-0.1	0.2	0.5	0.7
Highways and railroads	-0.2	-*	1.2	1.7
Veterans benefits and services	0.7	-0.6	-0.3	-0.5
Outer Continental Shelf receipts and FDIC	-0.9	---	---	---
Other (net)	-1.6	-0.2	0.1	0.6
Current estimate	491.6	547.5	596.0	635.7

* $50 million or less.

Spring -- 1981 is higher by this amount and 1982 is lower. A reconciliation of these outlay changes is shown in Tables 5 and 6.

A downward reestimate of Department of Defense outlays for 1979-1982 of $3 to $5 billion represents most of the outlay change from the Spring Overview to the July Mid-Session Review. The major changes since July result from revised economic assumptions and congressional action on the 1979 budget request. The higher interest, inflation, and unemployment rates assumed for the current estimates have added $3-1/2 billion to 1979 outlays and about $5 billion to 1980 and 1981 outlays since July. These increases have been offset in the 1979 and 1980 estimates by revised legislative assumptions and congressional action -- such as energy rebates, supplementary fiscal assistance, urban initiatives, and the taxable municipal bond option -- and reestimates, primarily for EPA, defense and energy.

The outlay and deficit patterns under the current planning period estimates indicate a substantial problem, particularly for 1980. As shown in Table 7, the current estimates would yield an increase in the deficit from 1979 to 1980 and an increase of over two percentage points in the annual rate of outlay growth.

Table 7.--DEFICIT AND OUTLAY PATTERNS, 1979-1982
(dollar amounts in billions)

	1979	1980	1981	1982
Surplus or deficit (-):				
Under current estimates	-38.9	-43.9	-20.8	15.5
Under current agency ceilings	n.a.	-33.4	0.3	37.3
Annual percentage increase in budget outlays:				
Under current estimates	9.1%	11.4%	8.9%	6.7%
Under current agency ceilings (and current estimate for 1979)	n.a.	9.2	7.1	6.8

n.a. = not applicable

Given the current economic assumptions and receipt estimates, 1980 outlays, as currently estimated, would have to be cut by $14 billion (to $534 billion) to be able to show a 1980 deficit that is below $30 billion.

The difficulties of making large cuts in spending are illustrated in tables 8 and 9. Outlays under current policy projections are projected to increase $185 billion from 1978 to 1982. Table 8 shows that about 90% of this increase occurs in the following areas: defense, social security and Federal employee retirement, medicare and medicaid, public assistance and related programs, net interest, training and employment, and allowances for inflation and pay raises. With the exception of pay, training and employment, and most of defense, these areas are relatively uncontrollable. It is not possible for discretionary programs -- of which defense is by far the largest -- to bear the entire burden of restraint on outlays. Therefore, we will have to propose reductions in such relatively uncontrollable areas as entitlement and other open-ended programs.

Table 8.--PROJECTED INCREASES IN BUDGET OUTLAYS FROM 1978
(in billions of dollars)

	1979	1980	1981	1982
National defense	8.9	19.9	31.8	45.3
Social security	10.4	22.4	34.4	47.1
Medicare and medicaid	5.0	10.4	15.7	21.3
Public assistance and related	1.2	4.7	8.5	11.4
Federal employee retirement and disability	1.5	2.7	4.4	6.0
Training and employment	1.1	4.0	8.4	10.8
Price and civilian pay allowances	0.9	4.5	7.6	10.9
Net interest	7.0	12.4	14.8	11.6
Other (net)	4.9	15.8	19.7	20.6
Total	40.9	96.8	145.3	185.0

The changes shown in Table 9 increase outlays from $492 billion in 1979 to $524 billion in 1980. If we add net interest ($5.4 billion) and allowances for civilian agency pay raises and contingencies ($3.5 billion), we have already reached $533 billion. Even taking into account significant over-estimates, or potential shortfall, and assuming a successful scrub of the estimates, there will be very little room for increases in uncontrollable programs such as medicare, medicaid, and Federal employee retirement, or discretionary increases in areas such as education and foreign aid -- to name just a few. Nor, given these figures, is it easy to find room for startup of national health insurance.

Table 9.--SELECTED CHANGES IN OUTLAYS FROM PREVIOUS YEAR, 1978-79 TO 1981-82
(in billions of dollars)

	1978-1979	1979-1980	1980-1981	1981-1982
Social Security Administration.....	10.2	13.1	14.3	13.9
Farmers Home Administration.....	-1.4	1.7	0.1	0.2
MAP trust fund receipts.....	-1.3	0.4	-1.2	-0.9
Employment and Training Administration...	1.1	3.4	5.7	2.1
Treasury--Earned income tax credit and ARFA.....	-1.4	0.7	-0.1	0.4
DOD-Military.....	8.9	10.5	11.8	13.6
HUD--Community planning and development..	0.2	0.8	0.8	0.1
Interior.....	0.1	0.5	*	0.1
Export-Import Bank.....	*	0.8	0.4	0.2
Subtotal, Selected Changes.....	16.4	31.9	31.8	29.7
Other changes (net).....	24.5	24.0	16.7	10.0
Total, All budget changes.....	40.9	55.9	48.5	39.7

* $50 million or less.

Controllability of Budget Outlays: The 1980 Problem

This analysis identifies key variables that lend momentum to the 1980 budget, and the degree to which these variables can be influenced. 1/ While the focus of this

1/ The discussion will flow from the data underlying Appendix Table 5, which provides data on a controllability basis for the years 1979-82.

discussion is 1980, decisions on the budget year may either reduce or complicate the 1981 problem to be faced in the following year.

An understanding of the 1980 controllability problem is aided by an analysis of the current 1979 base. Table 10 illustrates its composition.

Table 10.--CONTROLLABILITY OF OUTLAYS, 1979
(dollar amounts in billions)

	1979 Outlays	Percent of Total	Percent of GNP
Open-ended programs and fixed costs:			
Payments for individuals	$224.1	45.6%	9.9%
Net interest and other	63.8	13.0	2.8
Outlays from prior-year contracts and obligations	87.0	17.7	3.8
Subtotal, Relatively uncontrollable under current law	375.3	76.3	16.5
All other:			
National defense	72.1	14.7	3.2
Nondefense	44.5	9.0	2.0
Total budget outlays	491.6	100.0	21.7

About three-quarters of the 1979 total is for programs that are relatively uncontrollable. Of the remaining one-quarter, over 60% is for civilian and military payroll, which is hard to cut extensively, especially in the short run. In fact, our tentative plans to reduce total employment by close to 2% will be difficult to achieve, and will result in outlay reductions of less than $1 billion.

In addition, very little of the 1979 base can be treated as one-time costs. The base is composed largely of on-going costs for benefit payments, grants-in-aid, subsidies, agency operating costs, and interest. Taken separately, some components -- such as individual research or construction projects -- are of a one-time nature. However, most such activities are part of on-going research or construction programs that are, in general, meeting important national objectives, or have substantial support, or both.

At the present time, an estimated 58% of the $547 billion 1980 total is for open-ended programs and fixed costs under current law -- almost exactly the same percentage as in 1979. Current Administration policy includes proposed legislation to reduce this amount by $1.7 billion in 1980 -- an important saving but far short of what is needed to reach desired budget goals.

In addition, an estimated $99 billion in 1980 outlays are projected to come from prior-year contracts and obligations. A large portion of those contracts are already in place, but this amount could be reduced somewhat if major efforts were made between now and 1980 to hold down the level of new contracts. For the most part, this action would require proposals to the Congress to reduce or defer funds. The Congress can ignore such proposals by failing to change appropriations or other laws. Some 76% of the 1980 total of $547 billion is almost totally uncontrollable now under current law. Of the remaining one-fourth, about 60% (largely payroll) is for national defense, and about 40% (also largely payroll) is for civilian programs.

Table 11 illustrates, on a controllability basis, the present outlook for 1980.

As the table shows, the increase in relatively uncontrollable spending under current law is projected to add $42.2 billion to the 1980 total. This is an 11.3% rate of growth and -- alone -- adds 8.6% to the 1979 total. If the 1980 total were permitted to rise by only 6% over 1979 (to $521 billion) the increase in this block of spending alone would exceed the budget growth target by $13 billion.

Table 11.--CHANGE FROM 1979 TO 1980 ON A CONTROLLABILITY BASIS
(in billions of dollars)

1979 Outlays, current base	491.6
Changes in outlays for open-ended programs and fixed costs under current law:	
Social security and railroad retirement	13.0
Medicare and medicaid	6.2
Unemployment assistance	0.4
Other payments for individuals (includes civilian and military pensions, public assistance, food stamps, housing payments, etc.)	6.5
Net interest	5.4
Other open-ended programs and fixed costs (includes farm price supports, general revenue sharing, payment to the Postal Service, etc.)	-1.3
Subtotal, 1979 base plus 1980 changes for open-ended programs and fixed costs	521.8
Anticipated increase in outlays from prior-year contracts and obligations:	
National defense	4.0
Civilian agencies	8.0
Subtotal	533.8
Allowances for pay raises and contingencies:	
Pay raises -- Defense Department	2.8
Pay raises -- civilian agencies	1.5
Contingencies	2.0
Subtotal	540.1
Additional changes affecting budget outlays:	
National defense	2.9
Civilian agencies:	
Proposed legislation affecting open-ended programs and fixed costs	-1.4
Other	5.8
1980 Under current policy	547.5

Appendix Table 1.--BUDGET AUTHORITY BY AGENCY, 1978-1984
(in billions of dollars)

	Estimate			Projection			
	1978	1979	1980	1981	1982	1983	1984
Legislative Branch	1.1	1.1	1.2	1.3	1.2	1.2	1.2
The Judiciary	.5	.5	.5	.5	.6	.6	.6
Executive Office of the President	.1	.1	.1	.1	.1	.1	.1
Funds Appropriated to the President	9.2	11.7	12.4	10.9	12.8	12.1	11.3
Department of Agriculture	17.1	22.2	22.7	23.7	25.2	23.6	24.2
Department of Commerce	2.4	2.6	4.7	4.3	4.2	3.3	3.3
Department of Defense--Military	115.5	123.1	137.3	149.6	162.5	175.9	190.8
Department of Defense--Civil	2.8	2.6	3.2	3.2	3.0	2.8	2.6
Department of Energy	10.4	9.7	8.7	9.2	8.3	7.6	7.4
Department of Health, Education, and Welfare	162.6	185.0	207.4	236.4	265.1	290.7	313.7
Department of Housing and Urban Development	38.1	31.9	40.9	40.7	40.8	40.9	41.0
Department of the Interior	4.4	4.7	4.9	4.7	4.7	4.6	4.6
Department of Justice	2.4	2.5	2.7	2.6	2.6	2.6	2.6
Department of Labor	20.0	28.5	31.9	32.6	33.5	34.5	34.1
Department of State	1.5	1.5	1.7	1.7	1.8	1.9	2.1
Department of Transportation	13.6	17.1	18.3	18.6	18.6	18.9	19.1
Department of the Treasury	56.6	64.2	75.3	77.3	77.4	76.9	75.2
Environmental Protection Agency	5.5	5.4	5.5	5.4	5.4	5.4	5.4
General Services Administration	.2	.3	.2	.3	.3	.4	.4
National Aeronautics and Space Administration	4.1	4.3	4.6	4.2	3.6	3.2	3.2
Veterans Administration	19.0	20.4	20.3	20.1	20.0	20.0	19.9
Civil Service Commission	18.3	20.8	22.5	23.7	24.8	25.9	27.0
Export-Import Bank of the United States	.....	.....	1.4	1.8	1.8	1.8	1.7
Other Independent Agencies	14.5	12.5	16.4	16.5	16.4	16.4	16.6
ALLOWANCES							
Civilian agency pay raises	.....	.9	2.5	3.9	5.5	7.2	8.8
Contingencies for other requirements	.....	.....	3.0	4.7	6.4	8.0	9.6
Total ALLOWANCES	.....	.9	5.5	8.6	11.9	15.2	18.4
UNDISTRIBUTED OFFSETTING RECEIPTS							
Employer share, employee retirement	-5.0	-5.3	-5.5	-5.9	-6.3	-6.7	-7.1
Interest received by trust funds	-8.6	-9.9	-10.6	-11.6	-12.6	-13.6	-14.6
Rents and royalties on the Outer Continental Shelf	-2.2	-3.0	-1.8	-1.8	-1.8	-1.8	-1.8
Total UNDISTRIBUTED OFFSETTING RECEIPTS	-15.8	-18.2	-17.9	-19.3	-20.7	-22.1	-23.5
Total budget authority	503.7	555.7	632.0	678.8	726.0	764.5	803.3

Appendix Table 2.--OUTLAYS BY AGENCY, 1978 - 1984
(in billions of dollars)

	1978 Actual	Estimate 1979	Estimate 1980	Projection 1981	Projection 1982	Projection 1983	Projection 1984
Legislative Branch	1.1	1.2	1.1	1.2	1.3	1.2	1.2
The Judiciary	.4	.5	.5	.5	.6	.6	.6
Executive Office of the President	.1	.1	.1	.1	.1	.1	.1
Funds Appropriated to the President	4.5	4.3	5.6	5.4	5.8	6.4	6.6
Department of Agriculture	20.4	18.6	20.7	21.6	22.9	23.9	24.1
Department of Commerce	5.1	4.3	3.7	4.0	4.1	3.9	3.2
Department of Defense--Military	103.1	112.0	122.5	134.4	147.9	161.8	175.4
Department of Defense--Civil	2.6	2.6	2.9	2.9	2.8	2.8	2.6
Department of Energy	6.4	9.1	9.9	9.7	9.0	7.5	7.5
Department of Health, Education and Welfare	162.8	181.0	202.3	222.4	241.9	262.0	280.3
Department of Housing and Urban Development	7.8	9.1	11.1	12.6	13.5	14.5	15.6
Department of the Interior	3.7	4.0	4.4	4.4	4.5	4.5	4.6
Department of Justice	2.4	2.6	2.7	2.7	2.6	2.6	5.5
Department of Labor	22.9	24.2	27.7	31.5	33.3	33.2	31.9
Department of State	1.3	1.4	1.5	1.6	1.7	1.8	2.0
Department of Transportation	13.5	15.1	17.1	18.8	19.8	19.8	20.1
Department of the Treasury	56.2	64.0	70.5	74.1	72.4	72.6	72.2
Environmental Protection Agency	4.1	4.2	4.8	5.2	5.4	5.4	5.4
General Services Administration	.1	.2	.1	.3	.4	.3	.3
National Aeronautics and Space Administration	4.0	4.3	4.5	4.3	3.8	3.4	3.4
Veterans Administration	19.0	20.4	19.5	20.0	20.1	19.9	19.8
Civil Service Commission	11.0	12.4	13.7	15.5	17.1	18.8	20.3
Export-Import Bank of the United States	-.1	-.1	.7	1.2	1.3	1.5	1.6
Other Independent Agencies	14.2	13.4	13.1	13.4	13.2	12.9	12.9
Allowances	---	9	4.5	7.6	10.9	14.2	17.4
Undistributed offsetting receipts	-15.8	-18.2	-17.9	-19.3	-20.7	-22.1	-23.5
Total outlays	450.7	491.6	547.5	596.0	635.7	673.5	710.9

Appendix Table 3.--BUDGET AUTHORITY BY MAJOR FUNCTION, 1979-1984
(In billions of dollars)

	Estimate		Projection			
	1979	1980	1981	1982	1983	1984
NATIONAL DEFENSE	125.7	140.0	152.4	165.3	178.6	193.4
INTERNATIONAL AFFAIRS	13.8	16.5	15.7	17.9	17.6	17.0
GENERAL SCIENCE, SPACE, AND TECHNOLOGY	5.2	5.4	5.2	4.6	4.3	4.3
ENERGY	7.4	6.7	7.1	6.3	5.6	5.6
NATURAL RESOURCES AND ENVIRONMENT	13.0	13.8	13.7	13.5	13.3	13.0
AGRICULTURE	7.2	5.7	5.9	6.5	4.1	4.3
COMMERCE AND HOUSING CREDIT	7.2	9.2	8.9	9.2	9.5	9.8
TRANSPORTATION	18.8	20.1	20.2	19.9	20.1	20.4
COMMUNITY AND REGIONAL DEVELOPMENT	8.1	13.3	13.3	13.3	12.5	12.5
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES	33.4	36.6	40.3	43.0	43.6	43.2
HEALTH	52.7	58.4	68.8	77.9	86.1	94.5
INCOME SECURITY						
Social security (OASDI)	103.2	118.4	134.7	153.6	169.7	184.8
Other	87.9	99.7	100.7	101.8	106.7	107.3
Total INCOME SECURITY	191.1	218.1	235.4	255.3	276.4	292.1
VETERANS BENEFITS AND SERVICES	20.4	20.3	20.1	20.0	20.0	19.9
ADMINISTRATION OF JUSTICE	4.2	4.4	4.3	4.4	4.4	4.4
GENERAL GOVERNMENT	4.3	4.4	4.5	4.3	4.2	4.3
GENERAL PURPOSE FISCAL ASSISTANCE	8.3	13.4	11.9	13.8	13.3	12.3
INTEREST	52.1	58.2	61.6	59.4	57.9	57.4
ALLOWANCES						
Civilian agency pay raises	.9	2.5	3.9	5.5	7.2	8.8
Contingencies for other requirements	.....	3.0	4.7	6.4	8.0	9.6
Total ALLOWANCES	.9	5.5	8.6	11.9	15.2	18.4
UNDISTRIBUTED OFFSETTING RECEIPTS						
Employer share, employee retirement	-5.3	-5.5	-5.9	-6.3	-6.7	-7.1
Interest received by trust funds	-9.9	-10.6	-11.6	-12.6	-13.6	-14.6
Rents and royalties on the Outer Continental Shelf	-3.0	-1.8	-1.8	-1.8	-1.8	-1.8
Total UNDISTRIBUTED OFFSETTING RECEIPTS	-18.2	-17.9	-19.3	-20.7	-22.1	-23.5
Total Budget Authority	555.7	632.0	678.8	726.0	764.5	803.3

Appendix Table 4.--OUTLAYS BY MAJOR FUNCTION, 1979-1984
(in billions of dollars)

	Estimate		Projection			
	1979	1980	1981	1982	1983	1984
NATIONAL DEFENSE	114.5	125.3	137.2	150.7	164.5	178.1
INTERNATIONAL AFFAIRS	6.3	8.9	9.5	10.4	11.5	12.0
GENERAL SCIENCE, SPACE, AND TECHNOLOGY	5.1	5.3	5.2	4.8	4.4	4.4
ENERGY	8.6	9.2	8.6	7.6	5.9	5.8
NATURAL RESOURCES AND ENVIRONMENT	10.9	12.4	13.0	13.1	13.1	13.0
AGRICULTURE	5.8	5.7	5.8	6.2	6.6	6.6
COMMERCE AND HOUSING CREDIT	2.8	4.0	3.3	3.2	3.0	2.9
TRANSPORTATION	17.0	18.9	20.4	21.1	21.1	21.3
COMMUNITY AND REGIONAL DEVELOPMENT	8.9	8.1	10.1	10.7	10.8	10.2
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES	30.4	35.1	40.1	42.8	43.4	42.9
HEALTH	49.5	55.6	61.0	66.7	72.9	79.0
INCOME SECURITY						
Social security (OASDI)	105.0	116.9	128.9	141.7	154.3	167.0
Other	54.7	60.5	65.4	69.1	74.5	75.8
Total INCOME SECURITY	159.6	177.4	194.3	210.8	228.8	242.8
VETERANS BENEFITS AND SERVICES	20.5	19.5	20.0	20.1	19.9	19.8
ADMINISTRATION OF JUSTICE	4.3	4.5	4.4	4.4	4.4	7.3
GENERAL GOVERNMENT	4.2	4.3	4.3	4.5	4.2	4.2
GENERAL PURPOSE FISCAL ASSISTANCE	8.4	8.6	8.8	9.0	9.2	9.4
INTEREST	52.1	58.2	61.6	59.4	57.9	57.4
ALLOWANCES						
Civilian agency pay raises	.9	2.5	3.9	5.5	7.2	8.8
Contingencies for other requirements	.....	2.0	3.7	5.4	7.0	8.6
Total ALLOWANCES	.9	4.5	7.6	10.9	14.2	17.4
UNDISTRIBUTED OFFSETTING RECEIPTS						
Employer share, employee retirement	-5.3	-5.5	-5.9	-6.3	-6.7	-7.1
Interest received by trust funds	-9.9	-10.6	-11.6	-12.6	-13.6	-14.6
Rents and royalties on the Outer Continental Shelf	-3.0	-1.8	-1.8	-1.8	-1.8	-1.8
Total UNDISTRIBUTED OFFSETTING RECEIPTS	-18.2	-17.9	-19.3	-20.7	-22.1	-23.5
Total Outlays	491.6	547.5	596.0	635.7	673.5	710.9

Appendix Table 5.--CONTROLLABILITY OF BUDGET OUTLAYS
(fiscal years; dollar amounts in billions)

	1979	1980	1981	1982	Change, 1979-82 Amount	Change, 1979-82 Percent
Relatively Uncontrollable Under Present Law						
Open-ended programs and fixed costs:						
Payments for individuals:						
Social security and railroad retirement	107	120	133	146	39	36%
Medicare and medicaid	41	48	54	62	20	49
Unemployment assistance	13	14	15	15	2	13
Other	62	69	71	76	13	21
Subtotal	224	250	274	298	74	33%
Other open-ended programs:						
Net interest	42	48	50	47	5	11%
Farm price supports and other	22	20	21	21	-1	-4
Subtotal	64	68	71	68	4	6%
Total, Open-ended programs and fixed costs	288	318	344	366	78	27%
Outlays from prior-year contracts and obligations:						
National defense	32	36	38	40	8	25%
Civilian programs	55	63	69	71	16	29
Total, Prior-year contracts and obligations	87	99	107	111	24	28%
Total, Relatively uncontrollable programs under present law	375	417	451	477	102	27%

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Appendix Table 5 (continued)

	1979	1980	1981	1982	Change, 1979-82 Amount	Change, 1979-82 Percent
Relatively Controllable Outlays						
National defense:						
Allowances for pay raises	2	5	8	11	9	na
All other	70	73	79	86	16	23%
Total, National defense	72	78	87	97	25	35%
Civilian programs:						
Proposed legislation affecting open-ended programs and fixed costs	-*	-2	-2	-3	-3	na
Allowances:						
Civilian agency pay raises	1	2	4	6	5	na
Contingencies	---	2	4	5	5	na
All other	49	55	58	60	11	22%
Total, Civilian programs	50	58	64	68	18	36%
Total, Relatively controllable outlays	122	136	151	165	43	35%
Undistributed by Controllability Category						
Employer share, employee retirement	-5	-6	-6	-6	-1	-20%
Total budget outlays	492	547	596	636	144	29%

na: Not applicable.
*: $500 million or less.