—Second, the January estimate of expenditures is up by *$900 million* primarily because of increases in programs whose payments are *fixed by law and over which the President has no discretion*—such as payments to the States for public assistance and health programs ($250 million), farm price supports ($400 million), and Federal contributions to Medicare ($150 million).

In addition, the Congress is still considering important legislative measures which will vitally affect Fiscal 1968 expenditures. Although we are already a month into the new fiscal year, 10 of the 13 regular appropriation bills have not yet been enacted. No one knows what the total of those appropriations to be voted by Congress for this fiscal year will be.

We do know, however, that the Congress is considering a bill which would raise civilian and military pay by more than $1 billion above the Administration's 4.5 percent pay proposal. The $1 billion extra pay raise is equivalent to the yield of a 2 percent tax surcharge and comes directly out of the pockets of American taxpayers.

These items alone would increase civilian expenditures by $2.5 billion above the budget submitted in January.

Moreover, the Congress, in actions by one or the other House, has reduced by over $2 billion the authorizations I requested for the sale of participation certificates. Failure to restore these authorizations as appropriations bills move to final passage would add still further to the budget deficit.

Therefore, I urge the Congress to exercise the utmost restraint and responsibility in the legislative decisions which are yet to come and to make every effort not to exceed the January budget estimates.

The Executive Branch pledges to take every proper action within its power to reduce expenditures in the January budget. But our discretion is limited.

Of the $61 billion now estimated for non-defense expenditures, more than two-thirds is not subject to an Executive reduction.

Consider these facts:

—More than $30 billion will be spent on programs under which payments are definitely fixed by law or otherwise mandatory—such as interest on the public debt (over $14 billion), veterans' compensation and insurance pensions ($5 billion), public assistance ($4 billion), farm price supports ($2 billion), medical payments out of the general revenues (over $1 billion), legislature and judiciary (over $350 million).

—More than $15 billion will be spent to complete contracts or obligations entered into in prior years, such as the purchase of mortgages under earlier commitments and the completion of construction begun in 1966 or 1967.

—An additional $8 billion is spent by the pay of Federal employees in civilian agencies other than the Post Office. Substantial reductions are not possible in these expenditures without bringing to a halt many essential activities such as law enforcement and the Nation's air navigation system. Another $1 billion will be spent if the 4.5 percent civilian and military pay increase I recommended is enacted.

After taking account of these items, and allowing for a reduction of more than $5 billion in total expenditures—achieved through the sale of financial assets—this leaves only $12 billion of outlays over which the President has discretion in the year ahead. Even here, many indispensable programs are involved: for example, medical supplies and equipment for veterans' hospitals, equipment for the U.S. Coast Guard, grants for construction of civilian hospitals.

Reductions in spending will not be easy, for the budget submitted in January was already lean. But I pledge to the Country and the Congress that I will make every possible expenditure reduction—civilian and military—short of jeopardizing the Nation's security and well-being.

As the Congress completes each appropriation bill for Fiscal 1968 expenditures, we will examine at once, *very, very carefully*, the results of those actions, and determine where, how, and by how much expenditures under these appropriations can be reduced.

I am directing each Department and Agency head to review every one of his programs, to identify reductions which can be made and to report to the Director of the Budget in detail on the actions he is taking to put those reductions into effect.

But action by the Executive Branch alone is not enough.

It will achieve nothing if every time the Executive Branch saves a dollar, the Congress adds another dollar—or more—to the expenditures recommended in my January budget.