

billion. In addition, a number of contingencies have appeared which could cause further substantial changes in expenditures.

I. *Actions and developments to date.*—Changes in administrative budget expenditures from actions and developments since January are now estimated, as I said, at \$1.5 billion. These changes are shown in table I, the next page in your testimony. They fall into four major categories:

First, there is an addition of \$600 million for programs previously deferred in accordance with the President's anti-inflation message of September 8, 1966. In late February, and again in March and April, as inflationary pressures eased, and after extensive discussions with Members of Congress, some of the funds which had been withheld were released.

The earlier-than-anticipated releases were mainly for the new program for purchases of low-cost housing mortgages, which had been specifically provided by the Congress last year.

Second, we are now faced with an estimated increase of \$900 million for programs in which payments to individuals or groups are set by law and are, therefore, relatively uncontrollable. Of this amount \$400 million is for higher farm price support payments by the Commodity Credit Corporation. This increase is due primarily to revised estimates to crop yields for feed grains and soybean consumption. We also anticipate an increase of \$300 million above the January budget estimate in grants to States for public assistance—reflecting changes in State laws and a more rapid acceptance of medicaid than had been anticipated. As this committee well knows, the Federal Government provides, under the law, a specified proportion of State cash and medical assistance payments. As States liberalize their eligibility standards and as they begin to participate in the medicaid program, Federal expenditures for public assistance are automatically increased. Another \$200 million increase is due to Federal contributions to medicare, as the number of participants in the supplementary medical program have exceeded expectations.

Third, congressional actions completed or almost completed are estimated to result in an increase of \$100 million in 1968 expenditures. More costly legislation for veterans' benefits has been passed by both Houses of the Congress than was proposed in the January budget. This raises estimated outlays by \$100 million. In addition, the later effective date now assumed for postal rate legislation will add another \$100 million to net budgetary costs. These actions are partially offset, however, by a reduction of \$100 million based on appropriation actions completed or nearly completed to date.

As you know, appropriation reductions in a given fiscal year do not usually lead to expenditure reductions of the same amount in that same fiscal year. Part of the appropriation changes affect expenditures in subsequent years. And some appropriation reductions are purely accounting changes which have no effect on expenditures. For example, in the three appropriation bills enacted to date, appropriations were reduced by \$145 million which will lead to a fiscal 1968 expenditure reduction of \$103 million on our best estimates. Or again in all of the civilian appropriations bills passed by the House to date, appropriations were reduced by \$1,650 million with a fiscal 1968 expenditure effect of \$660 million.