

Since January we have had a net increase of about \$900 million in the estimates for the part of the budget covered by the act, the biggest increase being Commodity Credit Corporation payments, which are now up around \$700 million, and are reestimates of public assistance and medicaid costs of \$400 million, excluding congressional action.

Overall we had increases from the January estimate of \$2.3 billion, and decreases of \$1.4 billion, so the net is an increase of \$900 million in terms of reestimates. Therefore, in fact, we have to cut not \$6 billion but \$6.9 billion—actually it turns out to be \$6,864 million—to live with the provisions of the tax law.

Chairman PROXMIRE. That is because the Congress didn't mandate a \$6 billion cut. They simply put a limit on the amount that you could spend.

Mr. ZWICK. That is right; they set a limit, exempting certain programs.

Chairman PROXMIRE. So, if there are increases, you have to make additional reductions.

Mr. ZWICK. That is right. We are facing a situation where we really have to cut a \$6.9 billion rather than \$6 billion, and it is in those programs which are covered by the law rather than in the total.

Our best estimate at this point is that Congress will cut the affected programs by \$3.3 billion. With appropriation bills still outstanding, we could be wrong, but this is our best guess. That means we have to make up the remaining \$3.5 billion, and that gives you a total cut of \$6.9 billion, allowing for rounding.

Chairman PROXMIRE. In terms of the amounts of expenditures, it really doesn't matter, does it, whether Congress makes the cut or not?

Mr. ZWICK. That is right; we have to do it.

Chairman PROXMIRE. You will have to make your reductions. If Congress fails to cut, you have to cut more.

Mr. ZWICK. That is right. If Congress cuts \$2 billion rather than \$3.3 billion, then we have to cut \$4.9 billion. If Congress cuts more than \$4 billion, then we will have to cut less. The total has to come down to \$95.9 billion.

Chairman PROXMIRE. So that that part of your estimate is fairly firm and doesn't rely—doesn't depend—on what Congress does in the next month.

Mr. ZWICK. That is right. Unless Congress changes the law, we have got to bring the total of these covered programs down to \$95.9 billion.

Now, I wanted to go through that, because there is some confusion. If you then take the exempted programs where you have had increases—\$2.3 billion for Vietnam, veterans' programs up about \$400 million, Social Security Act trust funds up about \$700 million, interest up \$900 million, and a small increase for the exempted part of TVA—you get a net increase of \$4.4 billion in the exempted programs. You take that \$4.4 billion away from the \$6 billion cut in the covered programs and you find the total budget has been cut from \$186.1 billion to \$184.4 billion, or only \$1.7 billion. And people say, "What has happened to the \$6 billion?"

Well, what happened to the \$6 billion was these increases that were clearly expected when the tax bill was passed, because on March 31 the President had announced the Vietnam costs were going to be up \$2.6 billion in fiscal year 1969.