

Substantial increases for health, education, welfare, and other community development programs.

Thus, the 1970 budget will maintain the momentum in key social programs, while holding down other parts of the budget.

The Federal pay raise due to take effect in July 1969 accounts for \$2.8 billion of the overall increase. Interest costs will be up by \$0.8 billion, while national defense outlays are estimated to rise by \$0.5 billion, reflecting—for the first time in several years—an increase for forces not committed to Southeast Asia support, substantially offset by reductions in outlays for Vietnam.

Outlays for all other programs will increase, net, by only \$0.2 billion. This net rise reflects both increases—totaling about \$2.2 billion—and decreases—totaling about \$2 billion. Major increases are provided for such activities as the highway program, the recently-enacted safe streets program, and a proposed expansion in our airways system contingent on enactment of increased aviation user charges. Among the decreases are a reduction in the postal deficit based on proposal postal rate adjustments, reductions for Commodity Credit Corporation price support operations and P.L. 480 shipments, and a continued decline in outlays for the space program.

CHANGING STRUCTURE OF FEDERAL BUDGET OUTLAYS

[Fiscal years. In billions]

Program	1964 actual	1968 actual	1969 estimate	1970 estimate	Change 1964-70
National defense.....	\$53.6	\$80.5	\$81.0	\$81.5	+\$28.0
(Special Southeast Asia support).....		(26.5)	(28.8)	(25.4)	(+25.4)
Major social programs:					
Social insurance trust funds (excluding medicare).....	22.7	30.2	33.3	37.2	+14.4
Welfare payments and services.....	3.4	4.6	5.3	6.1	+2.6
Education and manpower training.....	1.6	6.4	6.5	7.2	+5.6
Health (including medicare).....	1.8	9.7	11.4	13.0	+11.2
Low and moderate income housing.....	(¹)	.9	.9	1.1	+1.1
Community and regional development.....	.8	1.8	2.4	3.3	+2.4
Subtotal, major social programs.....	30.4	53.7	59.8	67.8	+37.4
Interest.....	9.8	13.7	15.2	16.0	+6.1
Veterans benefits and services.....	5.7	6.9	7.7	7.7	+2.0
All other programs.....	22.1	28.6	25.0	24.9	+2.8
Allowances for pay increase and contingencies.....			.1	3.2	+3.2
Undistributed intragovernmental transactions.....	-2.9	-4.6	-5.1	-5.7	-2.8
Total.....	118.6	178.9	183.7	195.3	+76.7

¹ Less than \$50,000,000.

The priorities implicit in the 1970 budget can be sharpened by looking at the trends in outlays over the 6-year period covering the years of the Johnson Administration budgets. Between 1964 and 1970, total outlays will have risen by 65%. However, within that total, major social programs show an increase of 123%, more than doubling since 1964. This is twice the rate of increase for any other category of Government programs. Interest is up 63% in these years. National defense outlays, including special Southeast Asia support, are up 52%. Veterans benefits and services will have risen by 36% between 1964 and 1970. All the other programs of the Government show a growth of about one-eighth in this 6-year period, clearly reflecting, I believe, the policy of holding down on programs of less urgency and reducing outlays to the extent feasible, while giving highest priority to efforts to meet urgent domestic needs.

In these efforts, the Federal Government is increasingly relying on State and local governments, through rising amounts of Federal financial aid. Grants to State and local governments, are estimated to total \$25 billion in 1970, compared with \$20.8 billion in the current fiscal year. Since 1964, grants have doubled in amount and now make up more than one-fifth of total Federal spending for civilian domestic programs. Federal-aid outlays now represent about 18% of State and local revenues, compared with about 15% in 1964.

Of particular interest is the fact that within the total of Federal grants, there has been a major shift to urban metropolitan areas, where almost two-thirds of all Americans live. A considerable amount of direct Federal outlays goes into these areas in the form of transfer payments to individuals, such as social security benefits, or through construction projects, such as post offices. However, in addi-