



Special Analyses

*Budget of the
United States
Government*

Fiscal Year 1974

*Special
Analyses*

*Budget of the
United States
Government*

Fiscal Year 1974

FOREWORD

This volume of *Special Analyses* contains facts and figures on various features of the recommendations transmitted by the President in *The Budget of the United States Government, 1974*. Its purpose is to present special analytical information about significant aspects of Government activities. This complements the detailed financial and program information which is contained in the *Budget Appendix*.

Part 1 provides analyses and tabulations which cover Government finances and operations as a whole, and reflect the ways in which Government finances affect the economy.

Part 2 furnishes Government-wide program and financial information in six social program areas—education, manpower, health, income security, civil rights, and crime reduction.

Part 3 discusses trends and developments in selected areas of Government activity—aid to State and local governments, public works, research and development, environmental quality, and control of drug abuse.

GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in the tables, text, and charts of this volume may not add to the totals because of rounding.

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1973

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402
Price \$2.35 domestic postpaid or \$2.00 GPO Bookstore
Stock Number 4101-00082

TABLE OF CONTENTS

	Page
PART 1. ECONOMIC AND FINANCIAL ANALYSIS	5
A. Federal transactions in the national income accounts.....	7
B. Funds in the budget.....	19
C. Borrowing, debt, and investment.....	30
D. Investment, operating, and other budget outlays.....	47
E. Federal credit programs.....	69
F. Principal Federal statistical programs.....	85
G. Civilian employment in the executive branch.....	94
PART 2. FEDERAL SOCIAL PROGRAMS	101
H. Federal education programs.....	103
I. Federal manpower programs.....	119
J. Federal health programs.....	135
K. Federal income security programs.....	164
L. Federal civil rights activities.....	179
M. Federal programs for the reduction of crime.....	196
PART 3. SPECIALIZED ASPECTS AND VIEWS OF FEDERAL PROGRAMS	207
N. Federal aid to State and local governments.....	209
O. Federal public works activities.....	226
P. Federal research and development programs.....	251
Q. Federal environmental programs.....	270
R. Federal programs for the control of drug abuse.....	284

PART 1

ECONOMIC AND FINANCIAL
ANALYSES

INTRODUCTION

Part 1 provides analyses and tabulations which cover Government finances and operations as a whole, and reflect the ways in which Government finances affect the economy. These special analyses encompass those designated A through G.

Special Analysis A presents the Federal budget estimates in terms of the national income accounts. It is designed to explain the relationships of the unified budget of the Federal Government to the national income accounts, which constitute the most widely used measure of aggregate economic activity in the United States.

Special Analysis B classifies budget information by the groups of funds (Federal and trust) which comprise the budget.

Special Analysis C summarizes current developments and trends in Federal borrowing, debt, and interest, and the investment of Federal and trust funds in Federal securities. It includes a summary of both Federal and federally assisted borrowing from the public to display some measure of the Government's impact on the credit markets.

Special Analysis D classifies budget outlays in terms of the duration and nature of the benefits derived, distinguishing those of an investment or development type from those which primarily yield current benefits. Apart from this analysis the U.S. budget, unlike those of some other governments, includes outlays which are for "capital" or investment-type activities in the same accounts in which "current" activities and costs are shown.

Special Analysis E covers Federal credit programs—direct loans, guarantees of private loans, and loans of federally sponsored credit agencies. It includes an analysis of loan subsidy costs, and provides an aggregate measure of total credit supplied to the public under Federal auspices.

Special Analysis F reflects the year-to-year level of activity under the principal programs of the Federal Government for collecting current statistics, and current spending for periodic statistics obtained in census-type surveys usually conducted every 5 or 10 years.

Special Analysis G deals with the levels of civilian employment in the executive branch. It also contains figures on total Federal personnel (including military personnel).

SPECIAL ANALYSIS A

FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS

The budget is designed to serve many purposes:

- It is an *economic document* that reflects the taxing and spending policies of the Government for promoting economic growth, high employment, relative price stability, and strengthening of the Nation's balance-of-payments position;
- It proposes an *allocation of resources* between the private and public sectors, within the public sector, and—through its effect on consumption and investment decisions and the distribution of income—within the private sector;
- It sets forth the *President's requests to Congress* for appropriation action on existing or new programs, and changes in tax legislation; and
- It is a *report to the Congress and the people* on how the Government has spent the funds entrusted to it in past years.

No single budget concept can satisfy all these purposes well. The budget document and related Treasury reports provide complete, detailed information on the finances of the Federal Government. For study of aggregate economic activity, however, the national income accounts (NIA) of the United States provide the most important measures.

This special analysis shows the direct Federal impact on the economy as measured in the NIA. It is divided into two major sections. The first part of the analysis shows the size, composition, and trends in the Federal sector receipts and expenditures. It focuses heavily on the 3 years covered by the budget, but provides some historical background where this is relevant. The latter part of the analysis is devoted to explaining the major differences between the budget and NIA concepts.

FEDERAL SECTOR RECEIPTS AND EXPENDITURES

Table A-1 shows Federal sector NIA receipts and expenditures by category for 1972-74. Receipts were \$21 billion lower than expenditures last year primarily because the economy was operating under capacity and fiscal policy was designed to stimulate the economy in order to reduce the unacceptably high rate of unemployment. Now that the economy is moving forward rapidly, the danger is an unhealthy stimulus which could reignite inflationary pressures. As a result, the budget reflects stern expenditure restraint, while receipts are growing rapidly under the impetus of the strong economic recovery.

Table A-1. FEDERAL RECEIPTS AND EXPENDITURES IN THE NATIONAL INCOME ACCOUNTS (in billions of dollars)

Description	1972 actual	1973 estimate	1974 estimate	Change, 1972 to 1974
RECEIPTS				
Personal tax and nontax receipts.....	100.1	104.2	116.6	16.6
Corporate profits tax accruals.....	33.5	38.7	41.6	8.1
Indirect business tax and nontax accruals.....	20.1	20.5	21.6	1.5
Contributions for social insurance.....	58.3	69.8	83.2	24.9
Total receipts.....	211.9	233.3	263.0	51.1
EXPENDITURES				
Purchases of goods and services.....	103.1	105.8	111.5	8.4
Defense.....	(74.3)	(74.6)	(75.9)	(1.5)
Nondefense.....	(28.8)	(31.1)	(35.6)	(6.8)
Transfer payments.....	78.6	91.6	101.9	23.3
Domestic ("to persons").....	(75.8)	(88.9)	(99.1)	(23.3)
Foreign.....	(2.8)	(2.7)	(2.8)	(*)
Grants-in-aid to State and local governments.....	32.7	41.6	41.6	8.9
Net interest paid.....	13.5	14.6	15.8	2.3
Subsidies less current surplus of Government enterprises.....	5.2	6.3	4.8	- .4
Total expenditures.....	233.1	259.9	275.5	42.4
Surplus or deficit (-).....	-21.1	-26.6	-12.5	8.6

*Less than \$50 million.

Trends in Federal sector receipts.—As shown in table A-1, the receipts are divided into four major categories. The largest category—personal tax and nontax receipts—currently provides around 45% of the total. Since the bulk of these receipts is derived from individual income taxes, they tend to respond rapidly to the level of economic activity. Tax rates rise with higher levels of income so income taxes are the most important element in making the Federal tax structure progressive.

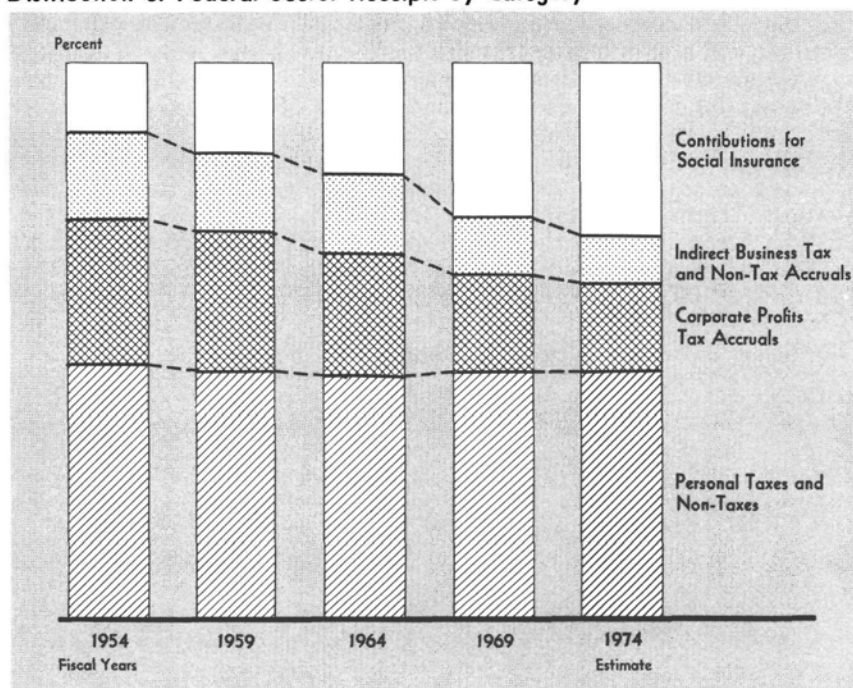
Corporate profits are one of the most volatile components of national income; and, consequently, corporate profits tax accruals are also volatile. The NIA corporate profits taxes differ from the corresponding budget category primarily because: (1) The budget shows the deposit of earnings by the Federal Reserve System as miscellaneous receipts whereas the NIA counts these as corporate profits taxes, and (2) the budget records corporate profits taxes when the cash payments are made, while the NIA records them where the profits are earned (accrued).

Indirect business tax and nontax accruals are composed mainly of excise taxes and customs duties, but also include rents and royalties paid by business to the Government. For most of our country's early history this was the dominant source of Federal receipts; as recently as 1940, it was still the largest single category of receipts. Yet by 1974 these will constitute only about 8% of total receipts—far less than any of the other receipt categories.

Contributions for social insurance constitute the second largest category of Federal sector receipts. The rapid rise in these receipts over the past two decades has been caused by the growth in the labor force and in wage rates, the expanded coverage of older programs, the enactment of new social insurance programs, and the higher contribution rates needed to finance liberalization of benefits.

The following chart shows the percentage distribution of receipts by category at 5-year intervals since 1954.

Distribution of Federal Sector Receipts by Category



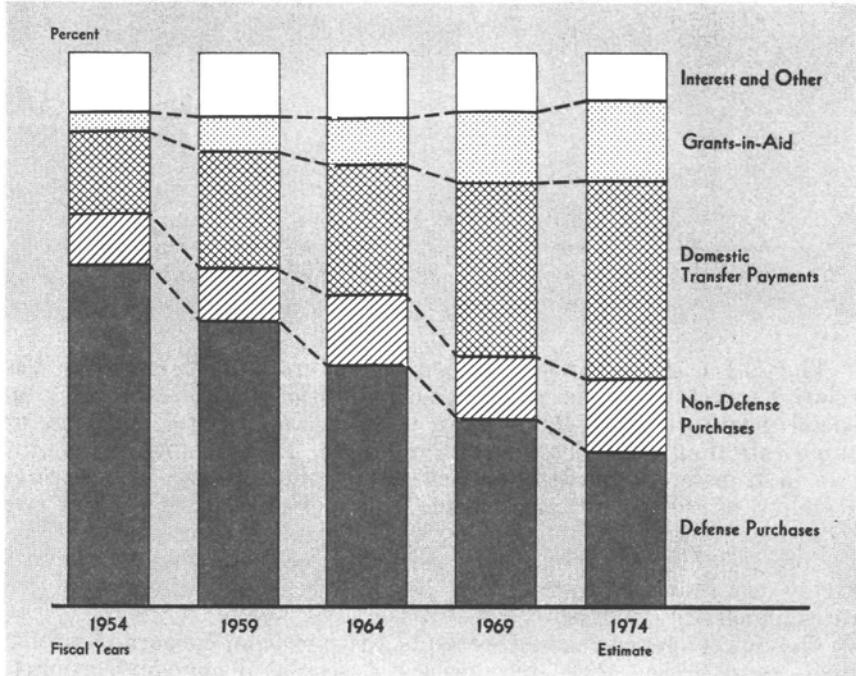
The chart shows several major trends in budget receipts. The relative increase in social insurance contributions reflects the fact that social insurance trust funds have been expanding at a much more rapid rate than the remainder of the budget. There is a corresponding rise in transfer payments financed out of these funds. The relative stability of the percentage arising from personal taxes reflects two opposing movements—(1) the normal increase in these taxes as inflation and higher productivity raise incomes, shifting people into higher tax brackets, and (2) the periodic legislated changes in tax rates, generally downward.

The lower percentage of receipts arising from corporate profits taxes results from three factors: (1) A secular decline in corporate profits relative to the GNP; (2) changes in the definition of corporate profits for tax purposes (largely increases in permissible depreciation allowances); and (3) the relatively constant tax rate on taxable corporate profits in recent years.

Trends in Federal sector expenditures.—Federal sector expenditures are also divided into several major groupings. The primary division is between purchases of goods and services (defense and non-defense) and all other transactions. Purchases are that portion of the Nation's output that is bought directly by the Federal Government. The other categories consist primarily of transfers of income to individuals, other levels of government, or other groups which, in turn, can use them to finance their own purchases of goods and services.

A major shift in the composition of Federal sector expenditures has been underway for several years. As the chart on expenditures shows, defense purchases of goods and services account for a declining share, and there is a corresponding rise in the other components, especially grants-in-aid and domestic transfer payments (which include military, as well as civilian, retirement benefits). While this shift has been underway for two decades, the change from 1969 to 1974 is particularly great. In 1969 defense purchases constituted 42% of total expenditures, down from 44% 5 years earlier. In contrast, they are expected to total only 28% of Federal sector expenditures in 1974. Domestic transfer payments rose from 23% of the total in 1964 to 26% in 1969; by 1974 they are expected to reach 36% of total expenditures. Grants-in-aid, likewise, rose from 8% of the total in 1964 to 10% in 1969 and are expected to be 15% in 1974.

Distribution of Federal Sector Expenditures by Category



Defense purchases of goods and services.—Over 95% of defense purchases are made by one agency—the Department of Defense (military functions). The remainder is primarily confined to military assistance, the Atomic Energy Commission, and defense stockpiles. Despite major military and civilian pay raises in recent years, defense purchases will constitute a smaller proportion of the total economy (GNP) in 1974 than in any preceding year in over two decades.

Nondefense purchases of goods and services.—This category covers the goods and services purchased for Federal civilian operations including such programs as operation of national forest, park, and recreation areas; space exploration; promotion of commerce; acquisition and disposal of agricultural commodities, construction of flood control and navigation projects; operation of the Federal airway system; a wide variety of medical and other scientific research; the capital outlay of Government-sponsored enterprises; Federal law enforcement activities; and operation of veterans hospitals.

Table A-2. NONDEFENSE PURCHASES OF GOODS AND SERVICES FOR SELECTED AGENCIES¹ AT 3-YEAR INTERVALS, 1965-1974 (in billions of dollars)

Agency	1965 actual	1968 actual	1971 actual	1974 estimate
Department of Agriculture.....	0.7	1.3	0.3	2.1
Department of Defense, Civil.....	1.2	1.3	1.4	1.7
Department of Health, Education, and Welfare.....	1.2	2.2	2.9	4.5
Department of Housing and Urban Development.....	.3	.4	.9	2.0
Department of the Interior.....	1.0	1.1	1.4	1.9
Department of Transportation.....	1.2	1.3	2.1	2.6
Treasury Department:				
Interest paid abroad.....	.5	.7	1.3	3.6
Other.....	.8	.9	1.3	1.7
National Aeronautics and Space Administration.....	5.1	4.7	3.4	3.1
Veterans Administration.....	1.4	1.7	2.3	3.1
All other ²	2.0	3.3	5.2	9.3
Total.....	15.5	18.9	22.6	35.6

¹ Agency total adjusted to make DOT and HUD comparable to current composition.

² Includes allowance for civilian agency pay raise.

Table A-2 shows a distribution of total nondefense purchases at 3-year intervals since 1965. The Department of Health, Education, and Welfare now accounts for more nondefense purchases that affect GNP than any other agency; these purchases are largely for medical research and for the administrative expenses connected with grant and transfer payment programs. Purchases by NASA have dropped substantially over this period; in 1965 they were nearly one-third of nondefense purchases, but by 1974 they are expected to total less than 9%.

Domestic transfer payments.—This is now the largest category of Federal sector expenditures. Spending in these programs has expanded rapidly, mainly because of increasing numbers of beneficiaries and

higher benefit payments under the social insurance programs. Approximately two-thirds of the payments are for retirement and disability, with the old-age and survivors insurance fund constituting nearly 70% of retirement and disability payments and half of all domestic transfer payments. Other major components of retirement and disability are civil service retirement, railroad retirement, disability insurance, and military retired pay.

Table A-3. DOMESTIC TRANSFER PAYMENTS (in billions of dollars)

Fiscal year	Total	Retirement and disability ¹	Hospital and supplementary medical insurance	Food stamps	Veterans insurance and benefits	Unemployment benefits	Other
1960.....	20.6	13.1	-----	-----	4.4	2.7	0.4
1961.....	23.6	14.4	-----	(2)	4.6	4.2	.4
1962.....	25.1	16.4	-----	(2)	4.6	3.6	.5
1963.....	26.4	18.0	-----	(2)	4.8	3.1	.5
1964.....	27.3	19.1	-----	(2)	4.6	2.9	.6
1965.....	28.3	20.2	-----	(2)	4.7	2.5	.8
1966.....	31.8	23.9	-----	0.1	4.7	2.1	1.2
1967.....	37.2	25.3	3.2	.1	5.3	2.1	1.2
1968.....	42.7	27.9	5.1	.2	5.5	2.2	1.6
1969.....	48.5	32.0	6.3	.2	6.2	2.3	1.6
1970.....	54.8	35.5	6.8	.6	6.9	3.0	2.0
1971.....	67.5	42.4	7.5	1.5	8.0	5.6	2.4
1972.....	75.8	47.8	8.4	1.9	8.7	6.5	2.6
1973 estimate.....	88.9	59.3	9.1	2.1	9.5	5.8	3.1
1974 estimate.....	99.1	67.7	11.4	2.1	9.2	5.0	3.6

¹ Includes black-lung benefits and public assistance cash benefits for elderly and handicapped.

² Less than \$50 million.

As a result of legislation passed in 1972, the Federal supplemental security income program will provide direct Federal payments to certain categories of needy (mainly elderly and handicapped) for cash assistance starting January 1, 1974. These payments (amounting to \$1.9 billion in 1974) replace benefits which were previously made under grant programs; in turn, this maintains benefits to the individual while relieving the State and local governments of the cost of matching the Federal payment.

Another large group of domestic transfer payments is for medical care under the hospital and supplementary medical insurance programs. These transfers did not exist prior to 1967, but by 1974 they are expected to provide \$11.4 billion to beneficiaries.

The food stamp program began in 1961 and was a relatively small but growing program until 1969. It more than doubled in 1969 and then doubled again in 1970, so it is now an important source of income for many low-income families and individuals.

Veterans insurance and benefits has long been a major group of transfer payments. These payments expanded rapidly starting around 1966, due in part to the effects of the war in Vietnam, but also in part to the enactment of the GI bill for post-Korean War veterans. Payments are expected to decrease slightly in 1974 despite recent legislation raising readjustment benefits, in large measure due to a decline in the number of veterans studying under the GI bill.

The increase in unemployment benefits in recent years reflects the gradual rise in the average benefits plus the higher rates of unemployment that coincided with the large reduction in defense-related employment beginning in 1969. The decline in 1973 and 1974 is caused by declining unemployment rates as our economy expands, partially offset by further increases in benefit rates.

Grants-in-aid.—This group of expenditures is composed of programs designed to help State and local governments to provide general public services, and to finance programs for the needy.

The newest major grant program—general revenue sharing—is discussed in detail in various sections of the budget, particularly in Special Analysis N.

Table A-4. **FEDERAL GRANTS-IN-AID** (in billions of dollars)

Fiscal year	Total	General revenue sharing	Income security	Health	Education and manpower	Transportation	Community development and housing	Other
1960.....	6.8	-----	2.3	0.2	0.5	3.0	0.1	0.8
1961.....	6.9	-----	2.4	.3	.5	2.6	.1	.9
1962.....	7.6	-----	2.6	.4	.6	2.8	.2	1.0
1963.....	8.4	-----	2.9	.5	.7	3.0	.2	1.0
1964.....	9.8	-----	3.1	.7	.8	3.7	.2	1.4
1965.....	10.9	-----	3.2	.7	1.1	4.1	.4	1.5
1966.....	12.7	-----	3.3	1.3	2.2	4.0	.4	1.6
1967.....	14.8	-----	3.3	2.0	3.2	4.0	.6	1.6
1968.....	17.8	-----	4.6	2.8	3.9	4.3	.8	1.5
1969.....	19.2	-----	4.8	3.5	3.7	4.4	1.1	1.7
1970.....	22.6	-----	5.7	4.1	4.3	4.6	1.7	2.1
1971.....	27.0	-----	8.0	4.6	5.0	4.9	2.0	2.6
1972.....	32.7	-----	10.3	6.0	5.9	5.0	2.3	3.2
1973 estimate.....	41.6	6.9	10.6	5.8	6.7	5.3	2.1	4.1
1974 estimate.....	41.6	6.0	9.6	6.8	6.2	5.3	2.1	5.6

The income security and health grants are largely, but not exclusively, devoted to providing assistance to low-income persons. Most expenditures for these programs—which include public assistance, Medicaid, and vocational rehabilitation—are paid out under statutory formulas. Special Analysis J (Federal Health Programs) and Special Analysis K (Federal Income Security Programs) provide more detailed information about these programs. The decline in these grants in 1974 is caused largely by the expansion of social security transfer payments (including the new program of Federal supplemental income assistance). Hence, it does not represent a decline in Federal aid to States; rather, the Federal spending goes directly to persons in the form of transfer payments instead of to States as grants. Since this also results in reducing State and local matching payments, the States will achieve significant fiscal relief through the expanded Federal transfer payments.

Another group of grant programs is devoted to education and manpower activities. The largest education grant programs are for elementary and secondary education (which are focused heavily on economically deprived areas), higher education, and Federal aid to impacted areas (for school districts with an unusually high proportion of children of Federal civilian or military personnel). A relatively new educational program is for emergency school assistance to overcome problems of racial isolation. Manpower training programs and public service jobs constitute the bulk of Federal manpower grants. Special Analysis H (Federal Education Programs) and Special Analysis I (Federal Manpower Programs) provide detailed discussions of education and manpower programs.

The decline in education and manpower grants in 1974 is mainly due to a reduction in grants for emergency employment assistance. This program was designed to aid State and local governments expand employment when unemployment is high, but it is scheduled to decline as the economy expands and unemployment is reduced.

Transportation has been a major component of grant outlays since the mid-1950's. We have financed a nationwide system of roads that is unsurpassed in the world. While progress toward completion of this system is continuing, substantial attention is also being given to improving the effectiveness and safety of our aviation, passenger railroad, and urban mass transit systems.

The grants for community development and housing are largely for the urban renewal and Model Cities programs. While the budget classifies payments for low-rent public housing as grants, in the NIA they are counted as nondefense purchases. The final category in table A-4 includes grants for pollution control and abatement and law enforcement and justice, both of which will have more than tripled in the 3 years since 1971.

A more detailed discussion of grant-in-aid programs is presented in Special Analysis N (Federal Aid to State and Local Governments) of this budget, including a discussion of the major differences between grants as used in the three principal Federal statistical series on grants.

Other Federal sector expenditures.—Three other categories normally complete the Federal sector expenditures. The largest category—net interest paid—is affected by changes in Federal debt outstanding and in interest rates. Net interest is expanding at a somewhat lower rate than total Federal sector NIA spending, so it is expected to decline from 6.7% in 1971 and 5.8% in 1972 to 5.7% in 1974.

Foreign transfer payments are primarily of three types—expenditure of dollars to assist foreign economic development, grants of foreign currencies that are earned from the sale of surplus agricultural products, and payments to individuals living abroad under social security and similar programs. Although payments to individuals are gradually rising (roughly in proportion with the rise in GNP), total foreign transfer payments have been stable (and a declining proportion of GNP) for many years.

Subsidies less current surplus of Government enterprises consist of two elements that are consolidated for statistical reasons: (a) Sub-

sidy payments to resident businesses; and (b) the "current surplus" or "deficit" of Government enterprises.

(a) A subsidy is a monetary grant to a unit engaged in commercial activities (mainly businesses and farms). Examples of such subsidies are: Government payments to farmers for land retirement, payments to air carriers, and the operating differential subsidy of the Maritime Administration.

(b) Government enterprise is the term applied to certain operations of the Government (usually appearing in the budget as public enterprise revolving funds) for which operating costs are to a great extent covered by the sale of goods and services to the public, as distinguished from those financed by tax receipts. Government enterprises conduct operations that are of a business-type nature. The difference between their sales and current operating expenses constitutes the surplus or deficit of Government enterprises. The largest of these enterprises are the Commodity Credit Corporation, the Postal Service, and the Tennessee Valley Authority.

RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR OF THE NATIONAL INCOME ACCOUNTS

Table A-5 shows the major differences between the budget and the Federal sector estimates. These differences are explained in this section.

Table A-5. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIA (in millions of dollars)

Description	1972 actual	1973 estimate	1974 estimate
RECEIPTS			
Total budget receipts	208.6	225.0	256.0
Government contribution for employee retirement (grossing).....	3.3	3.6	4.0
Other netting and grossing.....	1.3	1.7	1.7
Adjustment to accruals.....	-1.2	3.6	1.7
Other.....	-0.2	-0.6	-0.5
Federal sector, NIA receipts	211.9	233.3	263.0
EXPENDITURES			
Total budget outlays	231.9	249.8	268.7
Lending and financial transactions.....	-2.4	-0.9	-1.5
Government contribution for employee retirement (grossing).....	3.3	3.6	4.0
Other netting and grossing.....	1.3	1.7	1.7
Defense timing adjustment.....	.3	2.8	.3
Other.....	-1.3	2.9	2.3
Federal sector, NIA expenditures	233.1	259.9	275.5

Lending and financial transactions.—Conceptually, the national income accounts measure all the Nation's current income and production, and therefore do not include transactions—such as loans—that are an exchange of financial assets rather than income or production.

Loan transactions have a significant economic impact, affecting both income and output, but they are best analyzed as part of monetary rather than fiscal policy. Special Analysis C (Borrowing, Debt, and Investment) and Special Analysis E (Federal Credit Programs) are both designed to facilitate a study of the financial market implications of the budget.

Most of the lending and financial transactions shown in table A-5 are detailed in Special Analysis E. However, this total differs from the lending total shown in Special Analysis E because: (a) The NIA counts nonrecourse agricultural commodity loans as purchases rather than loans, and (b) capital contributions to International Financial Institutions, while not technically loans, are excluded from the NIA and treated as financial transactions.

Government contribution for employee retirement.—The contributions of Government agencies, as employers, to retirement trust funds are deducted from total budget expenditures since these contributions represent intragovernmental transactions. However, the NIA considers Government payments for employee retirement to be part of the compensation paid to Government employees; this helps maintain comparability with the treatment of similar payments in other sectors of the economy. Therefore the Federal sector includes these payments as expenditures for purchases of goods and services, and includes the receipt of these same payments as being contributions for social insurance. Since receipts and expenditures are equally affected this has no impact on the surplus or deficit. About 70% of these payments go to the civil service retirement fund and most of the remainder are for Federal employees insured under social security.

Other netting and grossing.—The budget normally counts as receipts only income from taxation or similar receipts that arise from the exercise of governmental power to compel payment. Money received in the course of business-type transactions, therefore, is normally shown as offsets against expenditures. For instance, receipts from two major insurance programs operated by the Veterans Administration (National Service Life Insurance and U.S. Government Life Insurance) are netted against expenditures in the budget since these programs are voluntary, commercial-type activities. However, in the NIA, these insurance premiums are treated as receipts in the same way as receipts from compulsory Government insurance programs. Adjustments of this type affect total receipts and expenditures equally and thus do not alter the surplus or deficit of either the budget or the Federal sector.

Timing adjustments.—The budget records receipts at the time the cash is collected regardless of when the income is earned; expenditures (except interest) are generally recorded at the time the checks are issued. The NIA attempts to record most receipts from the business sector in the time period in which the income is earned rather than when taxes are actually paid; personal income taxes, however, are recorded at the time of payment by the individual taxpayer. For instance, corporate income taxes in the NIA are recorded as taxes when the profits are earned (accrued) regardless of when the cash is received by the Treasury.

The principal timing adjustment on the expenditures side is for defense purchases. Procurement items (such as ships or airplanes) are recorded in the Federal sector as defense purchases at the time of delivery to the Federal Government rather than when they are fabricated or when they are paid for; work in process is counted as part of private business inventories until the articles are completed and delivered to the Government. Both the budget and the Federal sector record public debt interest when it accrues.

Other.—This category includes some miscellaneous adjustments, largely for certain specialized aspects of the national income accounts, such as the purchase and sale of land and rent on Outer Continental Shelf lands, which are included in the budget but not in the national income accounts. Certain nondefense timing adjustments are included here because of the difficulty in separating them from other adjustment categories. It also includes adjustments for certain foreign currency transactions which are not included in the budget, and transactions of extrabudgetary entities included in the Federal sector, NIA.

Table A-6. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS, 1963-74 (in billions of dollars)

Description	Actual										Estimate	
	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974
RECEIPTS, NATIONAL INCOME BASIS												
Personal taxes and nontaxes.....	49.6	50.7	51.3	57.6	64.5	71.4	90.0	93.7	87.1	100.1	104.2	116.6
Corporate profits tax accruals.....	23.5	25.7	27.7	31.0	31.2	33.7	37.4	33.1	32.0	33.5	38.7	41.6
Indirect business tax and nontax accruals.....	15.0	15.6	16.9	15.7	15.8	17.1	18.6	19.2	20.1	20.1	20.5	21.6
Contributions for social insurance.....	22.1	23.5	24.6	28.5	35.7	38.3	44.4	49.0	53.8	58.3	69.8	83.2
Total receipts, national income basis...	110.2	115.5	120.5	132.8	147.2	160.6	190.4	195.0	193.0	211.9	233.3	263.0
EXPENDITURES, NATIONAL INCOME BASIS												
Purchases of goods and services.....	63.4	65.7	64.4	71.7	85.3	94.9	99.4	98.3	95.8	103.1	105.8	111.5
Defense.....	(50.4)	(50.9)	(48.9)	(54.4)	(67.7)	(75.9)	(78.0)	(77.3)	(73.2)	(74.3)	(74.6)	(75.9)
Nondefense.....	(13.0)	(14.7)	(15.5)	(17.3)	(17.6)	(18.9)	(21.4)	(21.0)	(22.6)	(28.8)	(31.1)	(35.6)
Transfer payments.....	28.5	29.5	30.5	34.2	39.4	44.8	50.7	56.8	69.8	78.6	91.6	101.9
Domestic ("to persons").....	(26.4)	(27.3)	(28.3)	(31.8)	(37.2)	(42.7)	(48.5)	(54.8)	(67.5)	(75.8)	(88.9)	(99.1)
Foreign.....	(2.1)	(2.2)	(2.2)	(2.3)	(2.2)	(2.1)	(2.2)	(2.0)	(2.3)	(2.8)	(2.7)	(2.8)
Grants-in-aid to State and local governments.....	8.4	9.8	10.9	12.7	14.8	17.8	19.2	22.6	27.0	32.7	41.6	41.6
Net interest paid.....	7.5	8.1	8.5	9.0	9.9	10.9	12.3	14.0	14.3	13.5	14.6	15.8
Subsidies less current surplus of Government enterprises.....	3.6	3.8	4.1	4.5	5.1	4.1	4.1	4.7	5.8	5.2	6.3	4.8
Wage accruals less disbursements.....	-----	-----	-----	-----	-----	-----	-----	-.1	.1	-----	-----	-----
Total expenditures, national income basis.....	111.4	116.9	118.5	131.9	154.5	172.5	185.7	196.3	212.8	233.1	259.9	275.5
Excess of receipts (+) or expenditures (-), national income basis.....	-1.2	-1.4	+2.0	+ .9	-7.3	-11.9	+4.7	-1.3	-19.7	-21.1	-26.6	-12.5

Source.—Actual data for 1963-72 are based on the estimates prepared by the Department of Commerce. Data for 1973 and 1974 are based on estimates by the Office of Management and Budget in cooperation with the Department of Commerce.

SPECIAL ANALYSIS B

FUNDS IN THE BUDGET

This analysis classifies budget information by the groups of funds which comprise the budget. It also presents information on the nature of receipts for the largest trust funds.

BREAKDOWN OF TOTALS, BY FUND GROUPS

Table B-1 shows the breakdown of total budget receipts and outlays between the Federal funds and the trust funds. The two groups together, after deducting for transactions that flow between them, make up the budget totals.

Table B-1. **BUDGET RECEIPTS AND OUTLAYS, BY FUND GROUP**
(in millions of dollars)

Description	1972 actual	1973 estimate	1974 estimate
RECEIPTS			
Federal funds:			
Total in fund accounts.....	152,603	163,277	177,545
Interfund transactions.....	-1,055	-1,212	-1,184
Proprietary receipts from the public.....	-2,702	-7,815	-5,052
Receipts, Federal funds.....	148,846	154,250	171,308
Trust funds:			
Total in fund accounts.....	75,548	95,839	109,705
Interfund transactions.....	-768	-855	-1,021
Proprietary receipts from the public.....	-1,821	-3,031	-3,214
Receipts, trust funds.....	72,959	91,952	105,471
Intragovernmental transactions.....	-13,156	-21,218	-20,797
Total budget receipts.....	208,649	224,984	255,982
OUTLAYS			
Federal funds:			
Total in fund accounts.....	181,717	197,417	205,345
Interfund transactions.....	-1,055	-1,212	-1,184
Proprietary receipts from the public.....	-2,702	-7,815	-5,052
Outlays, Federal funds.....	177,959	188,390	199,108
Trust funds:			
Total in fund accounts.....	69,662	86,510	94,588
Interfund transactions.....	-768	-855	-1,021
Proprietary receipts from the public.....	-1,821	-3,031	-3,214
Outlays, trust funds.....	67,073	82,624	90,354
Intragovernmental transactions.....	-13,156	-21,218	-20,797
Total budget outlays.....	231,876	249,796	268,665
Budget deficit.....	-23,227	-24,812	-12,683

FEDERAL FUNDS

The Federal funds are those which the Government administers as owner (as distinguished from those administered in a trustee or fiduciary capacity). There are four subgroups of Federal funds—the general fund, special funds, public enterprise funds, and intragovernmental revolving and management funds.

Table B-2. FEDERAL FUND RECEIPTS AND OUTLAYS (in million of dollars)

Description	1972 actual	1973 estimate	1974 estimate
RECEIPTS BY SOURCE			
Individual income taxes.....	94,737	99,400	111,600
Corporation income taxes.....	32,166	33,500	37,000
Excise taxes.....	9,506	9,683	10,198
Estate and gift taxes.....	5,436	4,600	5,000
Customs duties.....	3,287	3,000	3,300
Miscellaneous receipts.....	3,715	4,067	4,210
Total receipts Federal funds.....	148,846	154,250	171,308
OUTLAYS BY AGENCY			
Legislative branch.....	485	525	605
The Judiciary.....	172	191	203
Executive Office of the President.....	54	96	89
Funds appropriated to the President:			
Foreign assistance.....	2,799	2,575	3,000
Other.....	1,391	1,456	926
Agriculture.....	10,944	10,132	9,569
Commerce.....	1,251	1,315	1,421
Defense—Military ¹	75,151	74,197	78,199
Defense—Civil.....	1,517	1,740	1,607
Health, Education, and Welfare.....	26,006	27,841	30,604
Housing and Urban Development.....	3,642	3,364	4,768
Interior.....	1,222	-2,218	-117
Justice.....	1,180	1,496	1,737
Labor.....	3,681	3,683	2,615
State.....	517	605	636
Transportation.....	2,355	2,709	2,864
Treasury.....	22,231	32,872	32,713
Atomic Energy Commission.....	2,392	2,194	2,374
Environmental Protection Agency.....	763	1,147	2,127
General Services Administration.....	589	39	499
National Aeronautics and Space Administration.....	3,421	3,061	3,135
Veterans Administration.....	10,396	11,669	11,527
Other independent agencies.....	5,799	7,202	6,255
Allowances for contingencies and civilian agency pay raises.....		500	1,750
Total outlays Federal funds.....	177,959	188,390	199,108
Excess of outlays (-).....	-29,114	-34,140	-27,800

¹ Includes allowances for All-Volunteer Force, retirement systems reform and civilian and military pay raises for Department of Defense.

Receipts and outlays.—The receipts of the general and special funds in 1974 are estimated at \$171.3 billion, as presented in table B-2. Outlays of all the Federal funds, estimated at \$199.1 billion, are distributed as shown. The proprietary receipts of the general fund and special funds, the interfund receipts, and the receipts of the

public enterprise funds and the intragovernmental funds, have all been offset in arriving at the outlays for each agency.

Obligations.—The obligations (net) for Federal funds are estimated at \$204.4 billion for 1974, as set forth in table B-3. These transactions largely flow from the budget authority of \$202.9 billion for the year, although in part the obligations were authorized by prior years budget authority.

Table B-3. OBLIGATIONS INCURRED, NET, IN FEDERAL FUNDS
(in millions of dollars)

Department or other unit	1972 actual	1973 estimate	1974 estimate
Legislative branch.....	506	547	606
The Judiciary.....	173	192	204
Executive Office of the President.....	57	109	123
Funds appropriated to the President:			
International security assistance.....	1,365	1,418	1,694
International development assistance.....	1,280	1,749	2,000
Other.....	1,278	1,737	-22
Agriculture.....	12,161	9,231	9,358
Commerce.....	1,416	1,636	1,345
Defense—Military ¹	76,178	79,980	82,774
Defense—Civil.....	1,608	1,794	1,784
Health, Education, and Welfare.....	26,671	30,428	31,470
Housing and Urban Development.....	3,800	5,808	2,171
Interior.....	1,420	-2,053	-90
Justice.....	1,511	1,922	1,866
Labor.....	4,144	3,603	2,190
State.....	527	642	634
Transportation.....	2,533	3,510	3,341
Treasury.....	22,270	32,857	32,747
Atomic Energy Commission.....	2,501	2,667	2,645
Environmental Protection Agency.....	1,154	4,357	3,919
General Services Administration.....	774	17	381
National Aeronautics and Space Administration.....	3,231	3,518	3,104
Veterans Administration.....	10,505	11,766	11,581
Civil Service Commission.....	1,346	1,810	2,177
Export-Import Bank.....	301	-----	-----
Federal Home Loan Bank Board.....	-201	-206	-336
Postal Service.....	2,231	2,526	1,373
Railroad Retirement Board.....	21	22	22
Other independent agencies.....	2,956	4,428	3,361
Allowances for contingencies and civilian agency pay raises.....	-----	750	2,000
Total.....	183,718	206,764	204,423

¹ Includes allowances for All-Volunteer Force, retirement systems reform and civilian and military pay raises for Department of Defense.

Balances of prior authority.—Table B-4 shows the balances of budget authority carried forward in Federal funds at the end of each fiscal year. To the extent that valid Government obligations have been incurred and remain unpaid, amounts sufficient to pay them may be carried over into the next year. Unobligated balances may be carried forward in accordance with specific provisions of law, usually in order to permit completion of projects as contemplated at the time the appropriations were first made, but also to provide funding for activities of a continuing nature (such as business-type enterprises) or for standby emergency purposes (such as backup for insurance of the Federal Deposit Insurance Corporation).

Table B-4. FEDERAL FUND BALANCES OF BUDGET AUTHORITY
(in millions of dollars)

Department or other unit	Start 1972		End 1972		End 1973		End 1974	
	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated
Legislative branch.....	36	83	57	149	80	169	81	141
The Judiciary.....	15	*	16	*	17	*	17	-----
Executive Office of the President.....	7	1	10	2	23	2	57	*
Funds appropriated to the President:								
International security assistance.....	2,199	8	2,124	7	2,221	-----	2,416	-----
International development assistance.....	3,870	7,907	3,785	9,158	4,304	8,930	4,822	9,175
Other.....	2,012	109	1,818	27	2,076	-79	1,109	163
Agriculture.....	5,737	1,374	6,947	1,497	6,052	3,387	5,826	4,108
Commerce.....	1,185	254	1,320	278	1,641	333	1,564	230
Defense—Military ¹	23,013	12,923	23,997	11,836	29,780	9,416	34,356	9,841
Defense—Civil.....	318	217	412	222	466	296	643	10
Health, Education, and Welfare.....	9,288	579	9,797	1,007	12,384	441	13,247	890
Housing and Urban Development.....	8,513	13,914	8,666	13,214	11,110	12,143	8,513	13,701
Interior.....	816	467	1,012	624	1,177	550	1,204	233
Justice.....	491	144	819	204	1,245	57	1,374	25
Labor.....	1,138	424	1,530	423	1,451	355	1,026	348
State.....	68	12	73	16	110	24	108	4
Transportation.....	1,082	3,343	1,254	2,873	2,055	4,669	2,531	3,633
Treasury.....	147	18	186	38	171	36	205	16
Atomic Energy Commission.....	1,008	458	1,117	250	1,591	216	1,862	-----
Environmental Protection Agency.....	1,631	240	2,028	1,534	5,237	4,548	7,029	1,143
General Services Administration.....	317	248	503	253	480	330	363	122
National Aeronautics and Space Administration.....	1,463	196	1,271	250	1,728	123	1,697	34
Veterans Administration.....	964	1,845	1,066	2,126	1,163	2,222	1,218	2,394
Civil Service Commission.....	4	3	17	4	15	4	11	5
Export Import Bank.....	3,848	1,458	-----	-----	-----	-----	-----	-----
Federal Deposit Insurance Corporation.....	-----	3,000	-----	3,000	-----	3,000	-----	3,000
Federal Home Loan Bank Board.....	92	7,382	42	7,545	14	7,751	-1	8,086
Postal Service.....	917	10,831	1,355	10,216	2,171	9,100	-----	-----
Other independent agencies	1,984	4,841	2,147	4,352	2,738	3,861	3,101	3,075
Allowances.....	-----	-----	-----	-----	250	-----	500	-----
Total.....	72,163	72,282	73,369	71,103	91,749	71,883	94,878	60,376

¹ Includes balances of allowances for All-Volunteer Force, retirement systems reform, and civilian and military pay raises for Department of Defense.

*Less than \$500 thousand.

PUBLIC ENTERPRISE FUNDS

The public enterprise funds are a subgroup of Federal funds, and data thereon are included on a net basis in tables B-2 through B-4. The public enterprise funds carry on a cycle of business-type operations, primarily with the public, on behalf of the Government. Some are incorporated enterprises; others are unincorporated. The general

fund usually supplies them with capital, although in a few cases they may borrow from the public.

Receipts and outlays.—Receipts of public enterprise funds are estimated at \$16.0 billion in 1974, and gross outlays are planned to total \$21.6 billion (table B-5), resulting in net outlays of \$5.6 billion

Table B-5. PUBLIC ENTERPRISE FUND TRANSACTIONS
(in millions of dollars)

Description	Applicable receipts			Gross outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Legislative branch.....	3	-----	-----	3	-----	-----
Funds appropriated to the President:						
Foreign assistance.....	231	314	319	742	782	640
Other.....	23	76	38	12	144	34
Agriculture:						
Commodity Credit Corporation ¹	3,967	5,066	4,436	7,950	8,470	7,146
Farmers Home Administration.....	3,046	4,578	3,312	3,337	3,979	3,461
Other.....	50	49	56	39	139	174
Commerce.....	48	54	60	19	24	27
Defense:						
Military.....	26	31	22	31	35	24
Civil (Panama Canal Company)....	183	199	209	184	209	209
Health, Education, and Welfare.....	36	47	51	88	112	128
Housing and Urban Development:						
Government National Mortgage Association.....	925	3,422	1,880	1,004	2,224	1,617
Urban renewal fund.....	667	659	686	1,856	1,659	1,736
Low-rent public housing fund.....	751	756	514	720	756	504
Federal Housing Administration....	1,065	1,166	1,268	1,355	1,925	2,137
Other.....	239	242	256	339	307	258
Interior.....	48	48	50	138	168	136
Transportation.....	38	35	31	262	411	523
Treasury.....	2	2	2	1	1	1
General Services Administration.....	3	3	3	2	2	2
Veterans Administration.....	1,077	1,201	1,011	692	703	692
Other independent agencies:						
Emergency Loan Guarantee Board....	2	4	4	*	*	*
Export-Import Bank.....	113	-----	-----	151	-----	-----
Farm Credit Administration.....	5	6	6	5	6	6
Federal Home Loan Bank Board:						
Federal Savings and Loan Insurance Corporation.....	205	230	374	56	39	44
Other.....	29	29	31	27	37	36
National Credit Union Administration..	19	24	27	10	16	16
Postal Service ²	9,568	9,947	-----	9,923	10,247	-----
Small Business Administration.....	368	368	436	799	1,658	718
Tennessee Valley Authority.....	674	791	924	1,122	1,256	1,304
Total.....	23,411	29,348	16,005	30,867	35,309	21,573
Receipts from the public.....	(18,857)	(24,621)	(13,448)			
Receipts from other accounts.....	(4,554)	(4,726)	(2,557)			

*Less than \$500 thousand.

¹ Receipts include advances from foreign assistance and special export programs of \$1.320 billion in 1972, \$895 million in 1973, and \$654 million in 1974.

² Receipts include payments from the general fund of \$1.418 billion in 1972 and \$1.410 billion in 1973.

TRUST FUNDS

The trust funds are administered in a fiduciary capacity by the Government. They include one subgroup, *trust revolving* funds, which, like the public enterprise funds, carry on a businesslike cycle of operations and are normally stated on a net basis (outlays less receipts).

Cash operations.—Trust fund receipts are estimated at \$105.5 billion in 1974, with outlays planned at \$90.4 billion, as shown in tables B-7 and B-8. The transactions of the Federal old-age and survivors and disability insurance funds are far larger than any other trust funds.

The activities of the *trust revolving* fund subgroup are shown in table B-6. These funds include those used by the Civil Service Commission to buy insurance for Government employees.

Table B-6. TRUST REVOLVING FUND TRANSACTIONS (in millions of dollars)

Description	Applicable receipts			Gross outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Civil Service Commission (employees' life insurance and health benefits).....	1,758	1,934	2,252	1,587	1,640	1,838
Federal Deposit Insurance Corporation.....	488	536	575	55	17	39
All other trust revolving funds.....	145	148	84	138	149	84
Total trust revolving funds ¹	2,391	2,618	2,911	1,779	1,806	1,961
Receipts from the public.....	(1,419)	(1,515)	(1,716)			
Receipts from other accounts....	(972)	(1,103)	(1,195)			

¹ Excludes right-of-way revolving fund which is a part of the highway trust funds.

Receipts by funds.—Table B-7 presents information, classifying the trust fund receipts by major fund, and, for each such fund, by source.

Table B-7. TRUST FUND RECEIPTS (in millions of dollars)

[Amounts under proposed legislation are shown separately]

Description	1972 actual	1973 estimate	1974 estimate
Federal old-age, survivors, and disability insurance trust funds:			
Social insurance taxes and contributions.....	39,907	46,593	54,667
Interest on Federal securities.....	2,107	2,218	2,352
Federal payment as employer for employee retirement.....	657	695	756
Other (mainly receipts of special Federal payments).....	537	524	494
Proposed legislation.....	-----	-----	9
Subtotal Federal old-age, survivors, and disability insurance trust funds.....	<u>43,207</u>	<u>50,030</u>	<u>58,278</u>
Health insurance trust funds:			
Social insurance taxes and contributions.....	6,545	9,272	12,994
Interest on Federal securities.....	219	254	415
Federal payment as employer for employee retirement.....	85	121	156
Other (mainly receipts of special Federal payments).....	1,917	1,956	2,616
Proposed legislation.....	-----	-99	15
Subtotal health insurance trust funds.....	<u>8,765</u>	<u>11,505</u>	<u>16,196</u>
State and local government fiscal assistance trust fund:			
Deposits for General Revenue Sharing.....	-----	8,295	6,055
Unemployment trust fund:			
Social insurance taxes and contributions.....	4,930	5,409	6,192
Interest on Federal securities.....	496	479	489
Other receipts.....	12	11	12
Proposed legislation.....	-----	74	75
Subtotal Unemployment trust fund.....	<u>5,438</u>	<u>5,973</u>	<u>6,768</u>
Railroad employees retirement funds:			
Social insurance taxes and contributions.....	1,008	1,169	1,294
Interest on Federal securities.....	258	261	260
Receipts from other trust funds.....	749	829	997
Other (mainly receipts of special Federal payments).....	24	25	25
Proposed legislation.....	-----	-----	612
Subtotal railroad employees retirement funds.....	<u>2,039</u>	<u>2,283</u>	<u>3,187</u>
Federal employees retirement funds:			
Social insurance taxes and contributions.....	2,095	2,241	2,327
Interest on Federal securities.....	1,468	1,600	1,779
Federal payment as employer for employee retirement (including payment on prior year liabilities).....	3,196	3,724	4,521
Other receipts.....	4	13	9
Proposed legislation.....	-----	42	-----
Subtotal Federal employees retirement funds.....	<u>6,763</u>	<u>7,620</u>	<u>8,637</u>
Airport and airway trust fund:			
Excise taxes.....	649	771	851
Special Federal payment.....	902	49	-----
Proposed legislation: Federal payment.....	-----	25	-----
Subtotal Airport and airway trust fund.....	<u>1,551</u>	<u>844</u>	<u>851</u>

Table B-7. TRUST FUND RECEIPTS (in millions of dollars)—Continued

[Amounts under proposed legislation are shown separately]

Description	1972 actual	1973 estimate	1974 estimate
Highway trust funds:			
Excise taxes.....	5,322	5,516	5,749
Interest on Federal securities.....	206	235	292
Subtotal highway trust funds.....	5,528	5,751	6,041
Foreign military sales trust fund.....	1,097	2,298	2,491
Veterans life insurance trust funds:			
Interest on Federal securities.....	324	341	351
Other receipts.....	489	482	485
Subtotal veterans life insurance trust funds.....	813	823	836
Other trust funds (nonrevolving).....	347	417	366
Subtotal.....	75,548	95,839	109,705
Interfund transactions.....	-768	-855	-1,021
Proprietary receipts from the public.....	-1,821	-3,031	-3,214
Total receipts	72,959	91,952	105,471

Outlays by funds.—Corresponding information on outlays, classifying the data for the larger funds, is found in table B-8.

Table B-8. TRUST FUND OUTLAYS (in millions of dollars)

[Amounts under proposed legislation are shown separately]

Description	1972 actual	1973 estimate	1974 estimate
Federal old-age, survivors, and disability insurance trust funds:			
Benefit payments.....	38,587	47,565	53,509
Payments to other trust funds.....	749	829	997
Administrative expenses and other.....	822	982	1,033
Proposed legislation.....			-310
Subtotal Federal old-age, survivors, and disability insurance trust funds.....	40,157	49,376	55,229
Health insurance trust funds:			
Benefit payments.....	8,363	9,090	11,926
Administrative expenses and other.....	456	483	686
Proposed legislation.....			-516
Subtotal health insurance trust funds.....	8,819	9,573	12,096
State and local government fiscal assistance trust fund:			
Payments for General Revenue Sharing.....		6,786	6,035
Unemployment trust fund:			
Withdrawals for benefit payments.....	6,098	5,183	4,632
Administrative expenses and other.....	827	892	868
Proposed legislation.....		25	
Subtotal Unemployment trust fund.....	6,926	6,100	5,500
Railroad employees retirement funds:			
Benefit payments and claims.....	2,107	2,427	2,037
Administrative expenses and other.....	32	31	33
Proposed legislation.....		2	561
Subtotal railroad employees retirement funds.....	2,139	2,459	2,631
Federal employees retirement:			
Benefit payments and claims.....	3,603	4,337	4,875
Refunds to former employees.....	197	192	244
Administrative expenses and other.....	5	7	8
Subtotal Federal employees retirement.....	3,805	4,535	5,127
Airport and airway trust fund.....	1,389	567	563
Highway trust funds (mainly grants to States).....	4,690	4,839	4,712
Foreign military sales trust fund.....	1,184	2,140	2,500
Veterans life insurance trust funds.....	801	568	658
Other trust funds (nonrevolving).....	362	379	488
Trust revolving funds (table B-6).....	-612	-812	-950
Subtotal.....	69,662	86,510	94,588
Interfund transactions.....	-768	-855	-1,021
Proprietary receipts from the public.....	-1,821	-3,031	-3,214
Total outlays.....	67,073	82,624	90,354

This group of funds reflects an excess of receipts of \$5.9 to \$15.1 billion each year, as follows (in millions of dollars):

	1972 <i>actual</i>	1973 <i>estimate</i>	1974 <i>estimate</i>
Total receipts, trust funds.....	72,959	91,952	105,471
Total outlays, trust funds.....	67,073	82,624	90,354
Excess of receipts, trust funds.....	<u>5,886</u>	<u>9,328</u>	<u>15,117</u>

Balances of the trust funds.—The balances of the trust funds continue to increase, as shown in the following end-of-year figures (in millions of dollars):

	1971 <i>actual</i>	1972 <i>actual</i>	1973 <i>estimate</i>	1974 <i>estimate</i>
Open book balances.....	6,044	6,246	4,764	4,945
Investments in U.S. securities:				
Public debt.....	96,457	102,467	113,278	128,214
Agency debt.....	1,666	1,340	1,340	1,340
Total.....	<u>104,167</u>	<u>110,053</u>	<u>119,381</u>	<u>134,499</u>

A summary of the balances by fund is presented in table B-9. The amounts include both open book balances with Treasury and investments in U.S. securities. Part of the balances is obligated, part unobligated. The balances on an authorization basis exceed the cash balances because for a few accounts budget authority is not the same as receipts; these differences are listed in the note appended to the table.

Table B-9. TRUST FUND BALANCES (in millions of dollars)

Description	As of June 30			
	1971 actual	1972 actual	1973 estimate	1974 estimate
Federal old-age, survivors, and disability insurance trust funds.....	40,755	43,805	44,459	47,508
Health insurance trust funds.....	3,393	3,339	5,271	9,371
State and local government fiscal assistance trust fund.....	-----	-----	1,509	1,529
Unemployment trust fund.....	11,293	9,807	9,667	10,917
Railroad retirement accounts.....	4,857	4,755	4,592	5,167
Federal employees retirement funds.....	25,109	28,066	31,151	34,660
Airport and airway trust fund.....	897	1,058	1,336	1,624
Highway trust funds.....	3,651	4,489	5,401	6,730
Foreign military sales trust fund.....	464	377	535	526
Veterans life insurance funds.....	7,184	7,196	7,451	7,629
Other trust funds (nonrevolving).....	648	633	670	548
Trust revolving funds.....	5,916	6,528	7,339	8,289
Total.....	104,167	110,053	119,381	134,499

Note.—The balances shown here cover the amounts on deposit with Treasury, and the U.S. securities held. In addition, certain funds have authority to obligate in advance of receiving moneys, and to borrow from the public. The reconciliation is as follows:

	1971	1972	1973	1974
Balance available on an authorization basis..	116,679	125,067	134,912	150,465
Unfinanced contract authorizations:				
Airport and airway trust fund.....	-780	-688	-588	-948
Highway trust funds.....	-13,634	-14,734	-15,419	-16,785
Foreign military sales trust fund.....	-2,202	-4,299	-5,362	-5,962
Other.....	-6	-2	-----	-----
Unappropriated receipts:				
Available as needed, on an indefinite basis.....	22	*	24	24
Available for appropriation by Congress:				
Soldiers' Home permanent fund.....	108	105	99	90
Airport and airway trust fund.....	387	227	588	916
Highway trust funds.....	3,586	4,370	5,122	6,693
Retained as permanent endowment.....	6	6	6	6
Balance available on a cash basis.....	104,167	110,053	119,381	134,499

*Less than \$500 thousand.

For 1974, as in many recent years, the largest net investments are expected to be those of the trust funds established by the Social Security Act as amended.

SPECIAL ANALYSIS C

BORROWING, DEBT, AND INVESTMENT

The major fiscal responsibilities of the Federal Government include not only taxation and expenditure but also:

- The borrowing of cash to meet current requirements not covered by revenue and to refinance maturing debt;
- The investment of balances that trust funds and other Government accounts do not currently need for outlays; and
- The provision of assistance, including Government guarantees, for certain non-Federal borrowing.

Special Analysis C summarizes current developments in Federal borrowing. It also discusses the size and growth of the Federal debt and the interest on the Federal debt, agency investment in U.S. Government securities, the statutory debt limitation, and borrowing by Government-sponsored enterprises. The analysis concludes with a brief discussion of the trend in Federal and federally assisted borrowing and its relationship to total borrowing in the economy. Excluded from this analysis are other types of Federal liabilities such as accounts payable, obligations for undelivered orders, long-term contracts, insurance commitments, and the obligation for future social security and military retirement payments.

Special Analysis E examines the related subject of Federal credit programs, including direct loans, loans by Government-sponsored enterprises, and Government-guaranteed loans. The factors in both Special Analyses C and E are significant in appraising the impact on financial markets of the programs contained in the 1974 Federal budget.

BORROWING AND REPAYING DEBT

The Federal Government borrows for two principal reasons. First, it sells debt to the public in order to finance budget deficits. Second, it sells debt to the Government agencies that accumulate surpluses in separate funds, primarily trust funds, required by law to be invested in Federal Government securities. Most Federal debt has been issued by the Treasury and is called "public debt," but a small portion has been issued by certain Government agencies and is called "agency debt."¹

The gross Federal debt includes both debt held by the public and debt held by the agencies. Since Treasury borrowing from the agencies is an internal transaction between two funds both within the Government itself, only borrowing from the public affects the volume of securities sold in the financial markets, the size and composition of assets held by the private sector, and the taxes required to pay interest on the Federal debt.

¹ The term "agency debt" is defined more narrowly in the budget than in the securities market, where it may include not only the debt of the Government agencies listed in table C-5 but also the debt of other issuers such as the Government-sponsored enterprises listed in table C-8.

Borrowing from the public—whether by the Treasury or by an agency—has a significant impact on financial markets and thereby on the economy, and it is consequently an important concern of Federal fiscal policy. For certain purposes the borrowing from the public exclusive of the Federal Reserve System is even more important than borrowing from the public as a whole. Almost all interest received by the Federal Reserve System is returned to the Treasury as a receipt, called a deposit of earnings, so the net cost of borrowing from the Federal Reserve System is very small. Moreover, Federal Reserve purchases of debt expand the money supply and thus have a markedly different effect on financial markets than do purchases by other sectors of the public.

Table C-1 summarizes Federal borrowing from 1972 through 1974. In 1972 the total Federal borrowing (net of the refunding of securities)—i.e., the rise in gross Federal debt—was \$27.9 billion. The borrowing from the agencies was \$8.4 billion, and the borrowing from the public was \$19.4 billion. Of the amount borrowed from the public, \$5.9 billion was borrowed from the Federal Reserve System and \$13.5 billion was borrowed from other lenders, which comprise commercial banks, foreign central banks, other financial institutions, and individuals. Borrowing from the public is expected to be \$25.0 billion in 1973 and \$16.5 billion in 1974. By the end of 1974 gross Federal debt is expected to be \$505.5 billion, with 72% held by the public (including the Federal Reserve System) and the remaining 28% by the agencies. Ninety-seven percent of the gross Federal debt will have been issued by the Treasury.

Table C-1. CHANGES IN FEDERAL DEBT (in millions of dollars)

Description	Increase or decrease (-)			Debt outstanding end 1974 estimate
	1972 actual	1973 estimate	1974 estimate	
Gross Federal debt:				
Public debt (issued by Treasury).....	29,131	34,578	29,649	490,662
Agency debt (issued by agencies).....	-1,269	1,419	2,478	14,790
Gross Federal debt ¹	<u>27,862</u>	<u>35,997</u>	<u>32,128</u>	<u>505,453</u>
Less debt held by Government agencies:				
Public debt.....	8,571	11,053	15,645	138,158
Agency debt.....	-152	-58	-17	2,025
Debt held by Government agencies.....	<u>8,420</u>	<u>10,996</u>	<u>15,628</u>	<u>140,183</u>
Total, debt held by the public.....	<u>19,442</u>	<u>25,000</u>	<u>16,500</u>	<u>365,270</u>
Composed of:				
Debt held by the Federal Reserve System.....	5,908	NA	NA	NA
Debt held by others.....	13,534	NA	NA	NA

NA = Not available.

¹ Excludes the \$825 million of special non-interest-bearing notes issued to the International Monetary Fund.

Borrowing from the public has traditionally meant borrowing from domestic individuals and institutions. At the end of 1969, \$10 billion of the public debt was held in foreign balances and international accounts,² and although this amount had increased since World War II the annual change in foreign-held debt had only once exceeded \$2 billion. In 1970, however, foreign and international holdings began to grow faster, and by the end of 1972 they had risen to \$49 billion. The annual borrowing from abroad is shown below for 1968-72 in comparison with the annual borrowing from the domestic public, exclusive of the Federal Reserve System (in billions of dollars):

	1968	1969	1970	1971	1972
Foreign and international ¹	-0.7	-0.4	3.7	17.9	17.3
Domestic (excluding Federal Reserve System)...	19.4	-11.2	-1.9	-6.3	-3.8
Total borrowing from the public (excluding Federal Reserve System).....	18.7	-11.6	1.9	11.6	13.5

¹ Public debt only, and exclusive of the special non-interest-bearing notes issued to the International Monetary Fund and international lending agencies.

As this table indicates, until 1970 the total borrowing from the public and the domestic borrowing from the public were about the same. In 1970, however, domestic borrowing was modestly smaller; and in 1971 and 1972 Government borrowing from abroad was between \$17 billion and \$18 billion, which was several times higher than ever before. Consequently, despite the Government's very large borrowing from the public in 1971 and 1972, the amount of Federal debt held by the domestic public (exclusive of the Federal Reserve System) decreased in both these years.

The estimated Federal borrowing in 1973 is not fully comparable to the borrowing in other years. This is due to a procedural change made by the Treasury Department in October 1972, which had the effect of raising by about \$4.5 billion the trust fund holdings of public debt recorded at the end of each month. As a consequence, the gross Federal debt and the debt recorded as held by Government agencies will be raised by about \$4.5 billion at the end of 1973 and each subsequent year. In 1973, but in no other year, the recorded gross Federal borrowing will thereby be increased by about \$4.5 billion and total lending by Government agencies to the Treasury will be similarly increased. The debt held by the public and the borrowing from the public are not affected by this procedural, nonrecurring change.

BORROWING AND GOVERNMENT DEFICITS

Table C-2 shows how borrowing from the public is related to the budget deficit. In 1972, the deficit was \$23.2 billion, of which the major part, \$19.4 billion, was financed by borrowing from the public. The remaining \$3.8 billion of the budget deficit was financed by five other means.

² The estimates of Federal debt held in foreign balances and international accounts do not include agency debt, the holdings of which are believed to be small. The data on public debt were adjusted to exclude the special non-interest-bearing notes issued to the International Monetary Fund and international lending agencies. These notes are not part of the gross Federal debt.

These other means of financing the budget deficit, as shown in table C-2, may either be positive, in which case they do contribute to the financing of the budget deficit; or negative, in which case they, like the budget deficit, must themselves be financed. They are:

- A decrease in cash or monetary assets;
- An increase in monetary liabilities for checks outstanding, etc.;
- An increase in deposit fund balances, which are liabilities that arise when the Federal Government temporarily holds money in a deposit as an agent for someone else (such as State income taxes withheld from Federal employees' salaries and not yet paid to the States);
- Seigniorage, which is the value of minted coins less the cost of their production; and
- "Other," which consists of the net receipts of extrabudgetary entities and the increase in the value of gold assets of the United States in 1972 due to the change in the par value of the dollar.

Table C-2. MEANS OF FINANCING THE FEDERAL BUDGET DEFICIT
(in millions of dollars)

Description	1972 actual	1973 estimate	1974 estimate
Budget deficit.....	23,227	24,812	12,683
Means of financing the deficit:			
Borrowing from the public.....	19,442	25,000	16,500
Other:			
Decrease or increase (—) in cash and monetary assets.....	-2,470	3,000	-----
Increase or decrease (—) in liabilities for:			
Checks outstanding, etc. ¹	3,556	22	-145
Deposit fund balances.....	1,403	-2,081	-1,198
Seigniorage on coins.....	581	489	474
Other ²	716	-1,618	-2,948
Subtotal, means of financing other than borrowing from the public.....	3,785	-188	-3,817
Total, means of financing.....	23,227	24,812	12,683

¹ Besides checks outstanding, includes military payment certificates, accrued interest (less unamortized discount) payable on public debt, and, as an offsetting change in assets, certain collections in transit.

² These transactions consist of increases in gold assets of the United States authorized by section 2 of the Par Value Modification Act and net disbursements (—) for the following extrabudgetary entities: Export-Import Bank, Postal Fund, and Environmental Financing Authority.

As the figures indicate, the extent to which the budget deficit can be financed by means other than borrowing from the public is very limited. Consequently the deficit and the borrowing from the public are closely related.

Borrowing from the agencies is approximately related to the surpluses of the trust funds, which, as shown in table C-6, own over 90% of the Federal debt held by Government agencies. The relationship between borrowing from agencies and trust fund surpluses during 1972-74 can be seen by comparing the purchase of Federal debt by the agencies, given in table C-1, with the aggregate surplus of the

trust funds, which was \$5.9 billion in 1972 and is expected to be \$9.3 billion in 1973 and \$15.1 billion in 1974. The 1973 comparison is affected by the approximately \$4.5 billion higher recorded borrowing from the agencies resulting from the procedural change discussed earlier.

SIZE AND GROWTH OF FEDERAL DEBT

Gross Federal debt has risen substantially over most of the past four decades, from about \$16 billion in 1929 to \$437.3 billion at the end of 1972. Table C-3 presents the detail of this change since 1954 and shows that a sizable part of the increase is held in Federal Government accounts (primarily trust funds) rather than being owed to the public. From the end of 1954 to the end of 1972, gross Federal debt rose by 61% while Federal debt held by the public rose by 44%. Federal debt held by the public apart from the Federal Reserve System rose still less, by 26%—an annual compound rate of growth of 1.3% over the 18 years—because over this period the Federal Reserve System bought a large quantity of Federal debt, thereby expanding the reserves of the banking system and providing for growth in the Nation's money stock.

Table C-3.—COMPARISON OF TRENDS IN FEDERAL DEBT AND GROSS NATIONAL PRODUCT (in billions of dollars)

Fiscal year	Debt outstanding, end of year					GNP	Debt held by public as percent of GNP
	Gross Federal debt ¹	Held by					
		Federal Government accounts	The public				
			Total	Federal Reserve System	Other		
1954.....	270.8	46.3	224.5	25.0	199.5	362.1	62.0
1955.....	274.4	47.8	226.6	23.6	203.0	378.6	59.9
1956.....	272.8	50.5	222.2	23.8	198.5	409.4	54.3
1957.....	272.4	52.9	219.4	23.0	196.4	431.3	50.9
1958.....	279.7	53.3	226.4	25.4	200.9	440.3	51.4
1959.....	287.8	52.8	235.0	26.0	209.0	469.1	50.1
1960.....	290.9	53.7	237.2	26.5	210.7	495.2	47.9
1961.....	292.9	54.3	238.6	27.3	211.4	506.5	47.1
1962.....	303.3	54.9	248.4	29.7	218.7	542.1	45.8
1963.....	310.8	56.3	254.5	32.0	222.4	573.4	44.4
1964.....	316.8	59.2	257.6	34.8	222.8	612.2	42.1
1965.....	323.2	61.5	261.6	39.1	222.5	654.2	40.0
1966.....	329.5	64.8	264.7	42.2	222.5	721.2	36.7
1967.....	341.3	73.8	267.5	46.7	220.8	769.8	34.8
1968.....	369.8	79.1	290.6	52.2	238.4	826.0	35.2
1969.....	367.1	87.7	279.5	54.1	225.4	898.3	31.1
1970.....	382.6	97.7	284.9	57.7	227.2	955.0	29.8
1971.....	409.5	105.1	304.3	65.5	238.8	1,010.4	30.1
1972.....	437.3	113.6	323.8	71.4	252.3	1,093.1	29.6
1973 estimate ²	473.3	124.7	348.8	NA	NA	1,209.9	28.8
1974 estimate ²	505.5	140.3	365.3	NA	NA	NA	NA

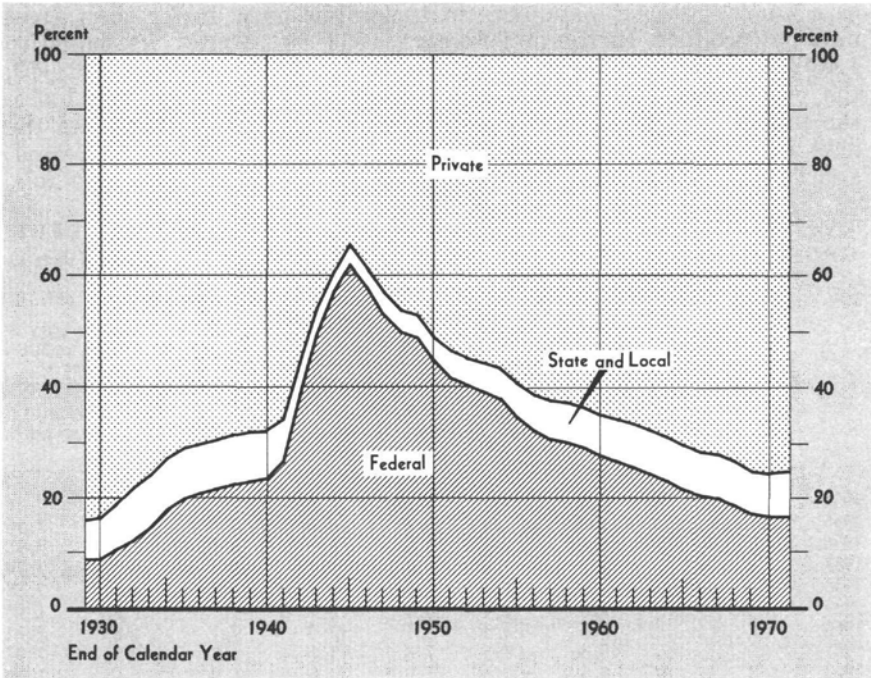
NA=Not available.

¹ Excludes the special non-interest-bearing notes issued to the International Monetary Fund and international lending agencies.

² The procedural change in the recording of trust fund holdings of public debt at the end of the month increased gross Federal debt and the debt held in Federal Government accounts by about \$4.5 billion at the end of 1973 and 1974.

During the depression of the 1930's and during World War II, Federal debt held by the public increased greatly, not only in absolute amount but also, as shown in the following chart, as a proportion of total net indebtedness: Federal, State and local, and private. Whereas Federal debt held by the public was only 9% of total net debt at the end of calendar year 1929, it had risen to 62% by the end of calendar year 1945. Federal borrowing was large, particularly during World War II, and borrowing by other sectors was restricted by low incomes and poor creditworthiness during the depression and by controls and scarcities during the war.

Percent Distribution of Net Indebtedness ¹



¹Federal net indebtedness is the Federal debt held by the public (including the Federal Reserve System). Private net indebtedness includes the debt of Government-sponsored enterprises, which are federally chartered but privately owned.

Since 1945, however, private debt has increased as a proportion of total debt in every year but one, and in every single year the Federal debt held by the public (including the Federal Reserve System) has decreased as a proportion of the total. State and local government debt has risen in amount every year and has risen in proportion to total debt for the period as a whole. From the end of calendar year 1953 to the end of 1971, Federal debt held by the public rose 44%, State and local government debt rose 446%, and private debt rose 364%. By the end of calendar year 1971, Federal debt held by the public was only 16% of total debt. As a result of these trends, Federal debt and borrowing, although still significant, have become relatively much smaller influences in the financial markets.

During this same period the Federal debt has decreased relative to gross national product. As shown in table C-3, debt held by the public equaled 62% of gross national product at the end of 1954 but declined steadily to 30% by the end of 1970 and is expected to reach 29% by the end of 1973.

The interest cost of the debt may be more significant than the amount of the debt for some types of comparison designed to measure the importance of Federal indebtedness. Interest on the debt held by the public has risen much faster than the debt itself, due to a strong upward trend since World War II in the interest rates that must be paid on new borrowings and on refunded debt. Between 1954 and 1972 the Federal debt held by the public grew 44%, but, as shown in table C-4, the interest paid to the public more than tripled. For this period as a whole, interest payments to the public grew faster than gross national product. In the first 5 years, 1954-58, interest was equal to 1.40% of gross national product, whereas by the last 5 years, 1968-72, the proportion had risen moderately to 1.58%. On the other hand, the proportion of budget outlays devoted to paying interest on the debt held by the public was about the same throughout the period, apart from fluctuations, and averaged 7.7% for the period as a whole.

Table C-4. COMPARISON OF TRENDS IN INTEREST ON FEDERAL DEBT, GROSS NATIONAL PRODUCT, AND BUDGET OUTLAYS (in billions of dollars)

Fiscal year	Interest on the gross Federal debt					Interest on debt held by the public as a percent of	
	Total	Federal Government accounts	Paid to			GNP	Budget outlays ²
			The public				
			Total	Federal Reserve System ¹	Other		
1954.....	6.4	1.2	5.2	0.5	4.7	1.43	7.31
1955.....	6.4	1.2	5.2	0.4	4.8	1.37	7.56
1956.....	6.8	1.3	5.6	0.5	5.1	1.36	7.91
1957.....	7.3	1.4	5.9	0.7	5.3	1.38	7.74
1958.....	7.8	1.4	6.3	0.7	5.6	1.44	7.68
1959.....	7.8	1.4	6.4	0.8	5.6	1.37	6.96
1960.....	9.5	1.5	8.1	1.0	7.1	1.63	8.74
1961.....	9.3	1.5	7.8	1.0	6.8	1.54	7.97
1962.....	9.5	1.6	7.9	1.0	6.9	1.46	7.40
1963.....	10.3	1.6	8.7	1.1	7.6	1.51	7.78
1964.....	11.0	1.8	9.3	1.2	8.0	1.51	7.80
1965.....	11.8	1.9	9.8	1.4	8.4	1.50	8.31
1966.....	12.6	2.1	10.5	1.7	8.8	1.45	7.77
1967.....	14.2	2.5	11.7	2.0	9.7	1.52	7.39
1968.....	15.6	3.0	12.7	2.4	10.3	1.54	7.09
1969.....	17.7	3.5	14.2	2.9	11.3	1.58	7.68
1970.....	20.0	4.4	15.6	3.5	12.2	1.64	7.95
1971.....	21.6	5.3	16.4	3.7	12.6	1.62	7.74
1972.....	22.5	5.8	16.7	3.5	13.3	1.53	7.20
1973 estimate.....	24.9	6.1	18.7	NA	NA	1.55	7.51
1974 estimate.....	26.9	6.7	20.2	NA	NA	NA	7.51

NA=Not available.

¹ Estimated.

² Budget outlays for 1954-74 are given in the Budget, part 7, table 20.

Since the end of World War II the composition of the Federal debt has changed, with an increasingly large proportion of Federal securities having a relatively short maturity. One contributing factor, although not the major cause, was the statutory ceiling of $4\frac{1}{4}\%$ that has been maintained since 1918 on the interest rate which could be paid on Treasury securities whose maturity exceeded 7 years.³ Because long-term market rates have been higher than $4\frac{1}{4}\%$ in recent years, the ceiling prevented the Treasury from selling long-term obligations after 1965. The ceiling thereby tended to increase the gross dollar volume of debt refunded each year. Since 1965, the average maturity of Treasury marketable debt has declined from about $5\frac{1}{2}$ years to about $3\frac{1}{4}$ years. This restriction on Treasury borrowing was relaxed in March 1971 by a law that allowed the Treasury to issue up to \$10 billion of long-term bonds at interest rates above $4\frac{1}{4}\%$. By January 10, 1973, Treasury had sold \$7.7 billion of bonds under this new authority at interest rates averaging $6\frac{1}{2}\%$.

BORROWING BY FEDERAL AGENCIES

A few Government agencies are authorized to sell their own debt instruments to the public and to other Government agencies and funds. This agency borrowing is part of the gross Federal debt. The authorization to borrow is budget authority, and the disbursement of such borrowed money is a budget outlay.

Net changes in outstanding agency debt were shown in total in table C-1 and are shown by agency in table C-5. In 1972 the repayment of agency debt exceeded new agency borrowing by \$1.3 billion. In 1973 and 1974, net agency borrowing is expected to be \$1.4 billion and \$2.5 billion, respectively. By the end of 1974 agency debt will be \$14.8 billion, which is 3% of gross Federal debt.

³ Until 1967 the ceiling applied to Treasury securities whose maturity exceeded 5 years.

Table C-5. AGENCY BORROWING ¹ (in millions of dollars)

Description	Increase or decrease (-) in debt			Debt out- standing end 1974 estimate
	1972 actual	1973 estimate	1974 estimate	
Borrowing from the public:				
Agriculture: Farmers Home Administration ²	-121	-25	-----	318
Rural Electrification Administration	-----	30	90	120
Defense	-79	-85	-89	1,202
Health, Education, and Welfare ²	-7	-2	-----	130
Housing and Urban Development:				
College housing loans ²	-271	-37	-----	299
Public facility loans ²	-5	-3	-----	94
Federal Housing Administration	-24	-68	29	354
Housing for the elderly ²	-1	-----	-----	64
Government National Mortgage Association ²	-162	-81	-48	807
Veterans Administration ²	-115	-248	-62	690
Export-Import Bank	-806	1,545	1,380	4,744
Postal Service	250	-----	750	1,000
Small Business Administration ²	-142	-44	-----	281
Tennessee Valley Authority	366	489	440	2,645
All other	-*	5	4	17
Total borrowing from the public	-1,117	1,476	2,495	12,765
Borrowing from other funds:				
Agriculture: Farmers Home Administration ²	-48	-----	-----	174
Defense	-15	-16	-16	181
Health, Education, and Welfare ²	1	-----	-----	67
Housing and Urban Development:				
College housing loans ²	-129	-----	-----	162
Public facility loans ²	*	-----	-----	49
Federal Housing Administration	-8	-3	-1	58
Housing for the elderly ²	1	-----	-----	33
Government National Mortgage Association ²	-30	-----	-----	497
Veterans Administration ²	8	-----	-----	543
Small Business Administration ²	-64	-----	-----	160
Tennessee Valley Authority	134	-39	-----	100
Total borrowing from other funds	-152	-58	-17	2,025
Total agency borrowing ¹	-1,269	1,419	2,478	14,790

*Less than \$500 thousand.

¹ Excludes agency borrowing from Treasury.² Certificates of participation in loans.

Almost a third of the agency debt estimated to be outstanding on June 30, 1974, will consist of \$4.4 billion in certificates of participation in pools of loans issued in prior years by the Government National Mortgage Association, as trustee on behalf of the Department of Agriculture, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Veterans Administration, and the Small Business Administration. The issuance of certificates of participation was discontinued after 1968.

Agency debt includes the borrowing of extrabudgetary entities, which are wholly Government-owned corporations whose transactions are excluded from the budget totals. Those entities that will have borrowed by the end of 1974 are the Export-Import Bank, excluded by statute from the budget totals as of August 17, 1971; and the Postal Fund, to be excluded from the budget totals as of July 1, 1973, after the transition period provided in the Postal Reorganization Act.

The Treasury provides capital to business-type Government enterprises both in the form of capital stock and in the form of "debt." These two instruments are the same in substance; and it would be double-counting to add together the agency "borrowing" from the Treasury and the Treasury borrowing from the public that was necessary to provide this capital. Therefore, these amounts are excluded from figures on agency "borrowing" and "debt" throughout the budget. The amounts of "debt" are shown as part of Government ownership equity on the enterprise statements of financial condition in the Budget Appendix.

AGENCY INVESTMENT IN FEDERAL SECURITIES

Trust funds and some public enterprise funds accumulate cash in excess of current requirements in order to meet future claims and demands. Such cash surpluses are mostly invested in Treasury debt, or, to a very small extent, in agency debt. Purchases of these securities are not counted as budget outlays, and redemptions are not counted as budget receipts.

As shown in table C-6, net investment by trust funds and other Government agencies in Government securities was \$8.4 billion in 1972. It is estimated to be \$11.0 billion in 1973, of which about \$4.5 billion will be due to the procedural change mentioned earlier for the securities held by certain social insurance trust funds; and it is estimated to be \$15.6 billion in 1974. The total agency holdings of Federal securities will reach an estimated \$140.2 billion by June 30, 1974. This will constitute 28% of the gross Federal debt. Two major trust funds—the Federal Old-Age and Survivors Insurance Fund and the Civil Service Retirement and Disability Insurance Fund—will account for 52% of these holdings, and all the trust funds together will account for 92%. Ninety-nine percent of the agency holdings will be Treasury debt, and the holdings of agency debt will decline by small amounts each year.

Table C-6. AGENCY INVESTMENT IN FEDERAL SECURITIES¹
(in millions of dollars)

Description	Increase or decrease (-) in holdings			Holdings end 1974 estimate
	1972 actual	1973 estimate	1974 estimate	
Investment in public debt (issued by Treasury):				
Health, Education, and Welfare:				
Federal old-age and survivors ins. trust fund ¹	1,877	3,094	2,738	38,479
Federal disability insurance trust fund ¹	984	761	312	8,084
Federal hospital insurance trust fund.....	-146	1,668	3,529	8,032
Federal supplementary medical ins. trust fund.....	221	141	561	1,179
Housing and Urban Development:				
Federal Housing Administration.....	116	37	195	1,330
Government National Mortgage Association.....	-295	228	346	1,174
Other.....	9	16	17	119
Interior: Indian tribal funds.....	-25			1
Labor: Unemployment trust fund.....	-1,328	-270	1,250	10,792
Transportation: Highway trust fund.....	822	944	1,330	6,730
Treasury: Exchange stabilization fund.....	1,196			2,587
Veterans Administration:				
National service life insurance fund.....	87	283	210	6,648
Other trust funds.....	-42	-27	-32	659
Other.....	71	51	64	668
Civil Service Commission:				
Civil Service retirement and disability fund ¹	3,041	3,389	3,493	34,175
Other trust funds.....	182	293	414	2,035
Federal Deposit Insurance Corp.: Trust fund.....	438	520	537	6,156
Federal Home Loan Bank Board: FSLIC.....	148	193	329	3,170
Postal Service.....	1,266	-331	-300	634
Railroad Retirement Board: Trust funds ¹	-110	-3	578	5,109
Other trust funds.....	9	19	18	135
All other.....	52	49	57	261
Total investment in public debt.....	8,571	11,053	15,645	138,158
Investment in agency debt:				
Agriculture: CCC.....	-6	-6	-6	47
Health, Education, and Welfare:				
Federal old-age and survivors ins. trust fund.....	-50			555
Federal disability insurance trust fund.....	-50			
Federal hospital insurance trust fund.....				50
Housing and Urban Development:				
Federal Housing Administration.....	-7	-5	-3	199
Government National Mortgage Association.....	82	-8	-8	230
Interior: Indian tribal funds.....	-1			
Labor: Unemployment trust fund.....	-100			
Veterans Administration: National service life insurance fund.....	-25			310
Civil Service Commission: Civil Service retirement and disability fund.....	-100			375
Federal Home Loan Bank Board: FSLIC.....				144
Postal Service.....	104	-39		66
Railroad Retirement Board: Trust funds.....				50
Total investment in agency debt.....	-152	-58	-17	2,025
Total agency investment in Federal securities..	8,420	10,996	15,628	140,183

¹ The procedural change in the recording of trust fund holdings of public debt had the effect of raising by about \$4.5 billion the agency investment in 1973 and the agency holdings at the end of 1973 and each subsequent year. At the end of October 1972 the effect on specific trust fund holdings was: Federal old-age and survivors insurance trust fund, \$3,535 million; Federal disability insurance trust fund, \$418 million; Civil Service retirement and disability fund, \$360 million; and Railroad Retirement Board trust funds, \$225 million.

LIMITATIONS ON FEDERAL DEBT

Statutory limitations have customarily been placed on Federal debt. After enactment of the Second Liberty Bond Act in 1917, the limitation on the amount of debt developed in several steps from being an authorization of an amount for each specific issue to being a general ceiling on the total amount of most outstanding Federal debt. The latter type of limitation has been in effect since 1941. The limit currently applies to the total of:

- All public debt issued by the Treasury since September 1917, whether held by the Government or by the public;
- Agency debt in the form of participation certificates issued during 1968 under the Participation Sales Act of 1966; and
- Other debt issued by Federal agencies (and the District of Columbia Armory Board) which, according to explicit statute, is fully guaranteed as to principal and interest by the United States.

The overall statutory limitation was \$450 billion from March 15, 1972, to October 31, 1972, and was increased to \$465 billion for the period beginning November 1, 1972, and ending June 30, 1973. The current limit includes a temporary increase of \$65 billion, which expires on June 30, 1973, after which the permanent limit of \$400 billion is scheduled to become effective.

The outstanding debt subject to limitation is compared, in table C-7, with the gross Federal debt and the Federal debt held by the public. The debt subject to limitation comprises about 98% of the gross Federal debt. It was \$428.6 billion at the end of 1972 and is expected to be \$462.8 billion and \$492.4 billion at the ends of 1973 and 1974, respectively. Like the gross Federal debt, the debt subject to limitation will be increased by about \$4.5 billion at the end of 1973 and each subsequent year due to the procedural change in the recording of trust fund holdings of public debt at the end of the month.

Table C-7. DEBT SUBJECT TO GENERAL STATUTORY LIMITATION
(in millions of dollars)

Description	End of year		
	1972 actual	1973 estimate	1974 estimate
Federal debt held by the public.....	323,770	348,770	365,270
Add: Federal debt held by Government agencies.....	113,559	124,555	140,183
Gross Federal debt.....	437,329	473,325	505,453
Deduct:			
Public debt not subject to limitation.....	623	622	622
Agency debt not subject to general limitation:			
Department of Defense.....	1,588	1,487	1,383
Export-Import Bank.....	1,819	3,364	4,744
Postal Service.....	250	250	1,000
Tennessee Valley Authority.....	1,855	2,305	2,745
Participation certificates ¹	3,454	3,345	3,235
Rural Electrification Administration.....		30	120
Other.....	8	13	17
Total Federal debt not subject to limitation.....	9,597	11,417	13,866
Federal debt subject to statutory limitation.....	427,732	461,909	491,587
Add:			
District of Columbia Stadium bonds.....	20	20	20
Special notes held by International Monetary Fund.....	825	825	825
Total debt subject to statutory limitation.....	428,576	462,754	492,432

¹ Certificates of participation issued by Government National Mortgage Association as trustee for 5 departments and agencies (excluding certificates issued during 1968).

The Federal debt held by the public is projected to increase by \$25.0 billion in 1973 and by \$16.5 billion in 1974. The debt subject to statutory limitation is expected to rise by more: \$34.2 billion and \$29.7 billion in these 2 years, respectively. The greater growth in the debt subject to limitation is due primarily to the investment in Federal debt by Government trust funds and other agencies. Their holdings are not part of the debt held by the public but are nevertheless almost all subject to the statutory limitation.

Almost the only agency debt subject to the general statutory limitation is the participation certificates sold in 1968 and the debentures issued by the Federal Housing Administration. These two types of debt together make up less than one-fifth of total agency debt. However, the remaining agency debt in most cases requires explicit statutory authorization. For example, the Postal Service is limited to \$2 billion of annual borrowing and \$10 billion of outstanding bonds.

FEDERALLY ASSISTED BORROWING

The impact of the Government on borrowing includes not only its own borrowing to finance Federal operations but also its assistance to certain borrowing by the public. Federally assisted borrowing is of two types: Borrowing by Government-sponsored enterprises,⁴ and Government-guaranteed borrowing by non-Federal borrowers.

Six Government-sponsored enterprises, which are federally chartered but privately owned in full, borrow under Government auspices. The transactions of these enterprises are not included within the Federal budget, and their debt is not part of the gross Federal debt. These enterprises are essentially financial intermediaries, borrowing in the bond market and lending their borrowed funds for specifically authorized purposes either directly or by purchasing loans originated by the private group that they were established to assist.

The borrowing programs of all six enterprises are subject to Federal supervision. In addition, they all consult the Treasury Department, either by law or by custom, in planning their market offerings. The Federal National Mortgage Association and the Federal home loan banks are required to obtain Treasury approval of the terms and timing of specific offerings, and the Treasury Department is authorized to purchase limited amounts of their obligations. Four of the enterprises are systems of regional lending institutions that pool their borrowings. In addition to their Federal sponsorship, all of the established enterprises have a history of successful financial performance. Hence, despite the absence of Federal guarantees, the obligations of these enterprises are sold at interest rates only slightly higher than the rates on Treasury issues.

As shown in table C-8, all but one of these Government-sponsored enterprises borrowed more than they repaid in 1972, and each expects to be a net borrower in 1973 and 1974. Total net new borrowing by the six Government-sponsored enterprises as a whole was \$5.0 billion in 1972 and is expected to be \$7.6 billion in 1973 and \$9.6 billion in 1974. The large increases in expected borrowing primarily reflect strong support for the housing market to be provided by the Federal National Mortgage Association, the Federal home loan banks, and the Federal Home Loan Mortgage Corporation. A seventh Government-sponsored enterprise, the Student Loan Marketing Association, will start operation in 1974, but estimates of its borrowing are not available. Special Analysis E discusses the lending by these enterprises.

⁴ The extrabudgetary entities are classified outside the budget totals but remain Government-owned and therefore are not classified as Government-sponsored. Their debt is included in gross Federal debt.

Table C-8. NET CHANGES IN DEBT OF GOVERNMENT-SPONSORED ENTERPRISES (in millions of dollars)

Description	Increase or decrease (-)			Debt out- standing end 1974 estimate
	1972 actual	1973 estimate	1974 estimate	
Housing and Urban Development: Federal National Mortgage Association.....	3,536	3,057	3,070	24,659
Farm Credit Administration:				
Banks for cooperatives.....	36	130	169	2,147
Federal intermediate credit banks.....	438	630	755	7,567
Federal land banks.....	774	831	856	9,290
Federal Home Loan Bank Board:				
Federal home loan banks.....	-820	2,502	3,268	¹ 11,979
Federal Home Loan Mortgage Corporation.....	1,000	475	1,500	3,590
Total.....	4,963	7,625	9,618	59,232

¹ Excludes \$300 million of loans to the Federal Home Loan Mortgage Corporation.

The other type of federally assisted borrowing, Government-guaranteed borrowing by non-Federal borrowers, is supported by the programs of several Government agencies. The major part of Government-guaranteed debt consists of mortgages on residential property. As shown in table C-9, Government-guaranteed borrowing was \$18.8 billion in 1972 and is expected to be \$20.0 billion in 1973 and \$17.6 billion in 1974. Special Analysis E analyzes the guarantee programs in detail.

TOTAL FEDERAL AND FEDERALLY ASSISTED BORROWING

Table C-9 summarizes Federal and federally assisted borrowing from the public. Federal borrowing from the public is presented in total. Borrowing by Government-sponsored enterprises and Government-guaranteed borrowing are presented both in total and as net amounts, the latter having been adjusted in order to remove double counting in the derivation of total Federal and federally assisted borrowing from the public. By the end of 1974, the Federal debt held by the public is expected to be \$365.3 billion, and the total Federal and federally assisted debt held by the public is expected to be \$583.7 billion.

Table C-9. NET BORROWING FROM THE PUBLIC BY GOVERNMENT, GOVERNMENT-SPONSORED ENTERPRISES, AND GOVERNMENT-GUARANTEED BORROWERS (in billions of dollars)

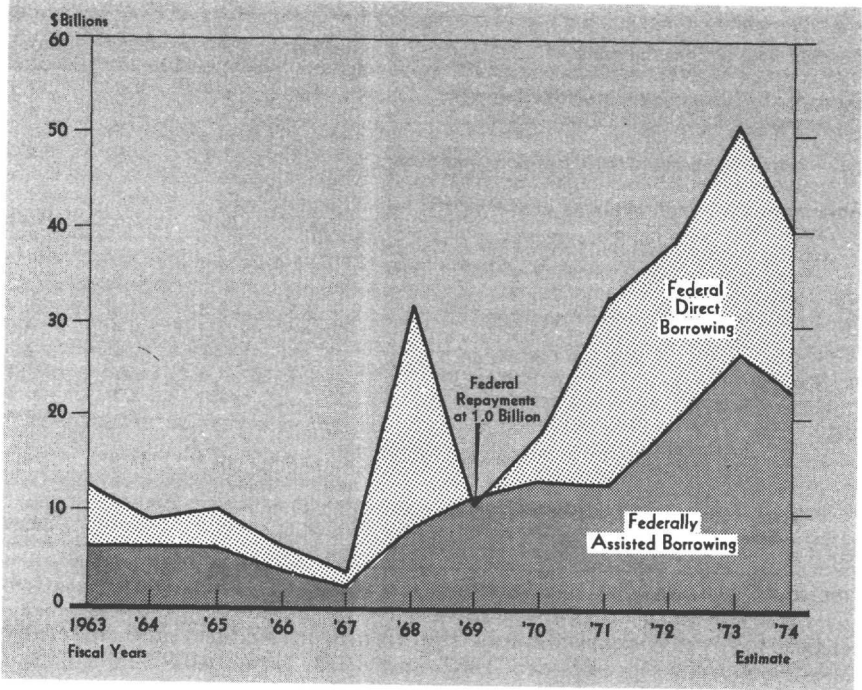
Description	Borrowing or repayment (-)			Debt outstanding end 1974 estimate
	1972 actual	1973 estimate	1974 estimate	
Federal borrowing from the public ¹	19.4	25.0	16.5	365.3
Borrowing by Government-sponsored enterprises ²	5.0	7.6	9.6	59.2
Less increase in holding of Federal debt.....	.7	—*	.1	4.8
Net Government-sponsored borrowing from public.....	4.3	7.7	9.5	54.4
Government-guaranteed borrowing by non-Federal borrowers ³	18.8	20.0	17.6	196.6
Less: Government-guaranteed borrowing from Government agencies or Government-sponsored enterprises:				
Federal National Mortgage Association.....	3.2	3.8	3.4	26.4
Government National Mortgage Association.....	—*	—1.4	— .4	3.3
Federal Home Loan Mortgage Corporation.....	.8	— .5	.6	2.3
Export-Import Bank.....	— .1	— .1	— .1	.1
Environmental Financing Authority.....			.3	.3
Net Government-guaranteed borrowing from public by non-Federal borrowers.....	14.9	17.2	13.8	164.1
Total, Federal and federally assisted borrowing from the public.....	38.6	49.9	39.8	583.7

*Less than \$50 million. ¹ See table C-1. ² See table C-8. ³ See tables E-3 and E-6.

The following chart depicts the trends in Federal and federally assisted borrowing between 1963 and 1974. The total Federal and federally assisted borrowing was \$38.6 billion in 1972 and is expected to be \$49.9 billion in 1973 and \$39.8 billion in 1974. These amounts are substantially larger than in earlier years. During 1963-67, for example, the annual average was only \$8.3 billion. Much of the increase in Federal and federally assisted borrowing parallels the growth in the economy and in the total funds raised by the non-financial sector through the sale of debt securities and other forms of borrowing and through the sale of corporate equities. However, total Federal and federally assisted borrowing has also increased as a proportion of the total funds raised. From 1963-67 to 1968-72, this proportion rose from 13% to 23%. Thus during the past decade Government programs have tended increasingly to influence the

allocation of the funds raised in financial markets. In 1971 and 1972, though, this growing influence was to some extent offset by the large purchase of Federal debt by foreigners as described previously in this analysis.

Federal and Federally Assisted Borrowing



SPECIAL ANALYSIS D

INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS

This analysis focuses on the distinction between outlays that are of an investment or "capital" nature and outlays directed to operating, or "current," purposes.

To facilitate the analysis, the outlays presented in the budget are classified in the following three categories:

Investment-type outlays—yield benefits over several years, and consists of investments in: Federal assets of both a physical and financial nature; State, local, and private physical assets; developmental expenditures to add to the Nation's capacity for better education, technical innovation, and health services.

Current outlays—provide benefits in the year that they are made. Included are aid and special services to agriculture, business, labor, homeowners, tenants, veterans, and for international commitments and Federal welfare obligations. Also included is retirement and social insurance representing Federal trusts established to provide an assured income to contributors or their families in the event of unemployment, retirement, disability, or death. And other services and current operating expenses, including transactions such as: Operation and administration of Federal departments and agencies; repair, maintenance, and operation of physical assets; regulatory and control activities; and interest are also included.

Unclassified outlays—which cannot be classified in either of the above two categories are placed in this residual classification. It includes: Allowance for pay increases for civilian agencies (the corresponding pay increases for the military and civilian personnel of the Department of Defense are included in the national defense details); allowance for contingencies; and certain financial adjustments that cannot conveniently, or precisely, be distributed, such as proprietary receipts and the employer share of employee retirement.

Each of the major classifications is subdivided so that civil and national defense outlays can be separately analyzed. The national defense grouping in this analysis corresponds to the national defense function in the budget; the civil grouping includes all other functions in the budget.

- The proportion of the budget dedicated to civil purposes is expected to be \$194 billion, 72% of the total 1974 budget.
- Additions to Federal civil assets are expected to be \$6.1 billion in 1974, an increase of \$0.9 billion, or 18% over 1973.
- Investments in State and local, and private assets will be \$9.1 billion, an increase of \$0.7 billion, growing by 8%.
- Development investments in education, training, and health will amount to \$14.8 billion in 1974, a decrease of \$0.9 billion, or 6% under, 1973.

Table D-1. SUMMARY OF INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS (in billions of dollars)

	Outlays		
	1972 actual	1973 estimate	1974 estimate
INVESTMENT—TYPE OUTLAYS			
Additions to Federal assets:			
Civil:			
Loans and other financial investments.....	3.3	0.7	1.7
Physical assets:			
Public works.....	3.3	3.8	3.3
Major commodity inventories.....	-.1	-.7	*
Major equipment and other physical assets.....	.8	1.4	1.1
National defense.....	19.4	17.8	19.0
Additions to State, local, and private assets:			
Civil.....	7.6	8.4	9.0
National defense.....	*	*	*
Developmental outlays:			
Civil.....	22.0	22.5	21.9
National defense.....	9.6	9.4	9.9
Subtotal, investment type outlays:			
Civil.....	37.0	36.0	37.0
National defense.....	29.0	27.2	28.9
CURRENT OUTLAYS			
Current expenses for aids and special services:			
Civil.....	39.7	45.0	44.3
National defense.....	1.8	2.8	3.1
Retirement and social insurance benefits—civil.....	59.0	68.9	77.0
Other services and current operating expenses:			
Civil:			
Interest.....	15.9	17.8	19.2
Other.....	7.8	15.8	16.7
National defense.....	48.9	49.0	48.9
Allowances, Department of Defense.....		.7	3.2
Subtotal, current outlays:			
Civil.....	122.5	147.4	157.2
National defense.....	50.7	52.5	55.3
UNCLASSIFIED			
Payments to other funds.....	*	*	*
Allowances for contingencies and civilian agency pay raises.....		.5	1.8
Employer share, employee retirement (-).....	-2.8	-3.0	-3.2
Proprietary receipts from the public (-).....	-4.5	-10.8	-8.3
Total budget, outlays.....	231.9	249.8	268.7

*Less than \$50 million.

- Outlays for research and development will increase 4.4% or \$0.7 billion to \$16.7 billion in 1974.
- Current outlays for business will have an estimated decrease of \$0.5 billion, and will be \$2.8 billion in 1974.
- Retirement and social insurance systems will be \$77.0 billion in 1974, an increase of \$8.1 billion over 1973, making these benefit payments 29% of the total 1974 budget.

Table D-2. CIVIL INVESTMENTS AND CURRENT OPERATING OUTLAYS

	1970 actual	1971 actual	1972 actual	1973 esti- mate	1974 esti- mate
INVESTMENT-TYPE OUTLAYS					
Additions to Federal assets:					
Loans.....	1.5	0.7	1.3	0.1	0.4
Other financial investments.....	.1	.1	.1	.2	.2
Public worksites and direct construction.....	1.1	1.2	1.4	1.5	1.2
Major commodity inventories.....	.3	-.3	-----	-.3	-----
Major equipment.....	.1	.1	.1	.1	-----
Other physical assets—acquisition and improvement.....	.1	.2	.3	.4	.4
Subtotal, additions to Federal assets.....	3.2	2.0	3.2	2.1	2.3
Additions to State, local, and private assets:					
State and local assets.....	3.0	3.1	2.9	3.0	3.1
Private assets.....	.5	.4	.4	.4	.3
Subtotal, additions to State, local, and private assets.....	3.5	3.5	3.3	3.3	3.4
Other development outlays:					
Education, training, and health.....	5.3	5.8	6.5	6.3	5.5
Research and development.....	3.2	3.1	2.9	2.7	2.6
Engineering and natural resources surveys ¹1	.1	.1	.1	.1
Subtotal, other development outlays.....	8.5	8.9	9.5	9.0	8.1
Total, investment-type outlays.....	15.2	14.5	15.9	14.4	13.8
CURRENT OUTLAYS					
Current outlays for aids and special services:					
Agriculture.....	2.2	2.3	1.8	2.1	1.6
Business.....	.9	1.0	1.1	1.3	1.1
Labor.....	.4	.5	.5	.6	.6
Homeowners and tenants.....	-.0	.1	.3	.6	.6
Veterans.....	4.4	4.7	4.8	5.0	4.5
International aids.....	.7	.6	.8	.6	.5
Welfare aids.....	3.3	4.5	5.4	5.8	5.6
Other aids and special services.....	2.4	2.5	2.3	1.9	2.1
Subtotal, current expenses for aids and special services.....	14.3	16.2	17.1	18.0	16.5
Retirement and social insurance benefits:					
Insurance benefits.....	19.1	20.8	21.2	23.7	25.1
Unemployment benefits.....	1.4	2.5	2.6	2.1	1.7
Other retirement and social insurance benefits.....	1.3	1.2	1.6	1.8	1.9
Subtotal, retirement and social insurance benefits.....	21.8	24.4	25.4	27.6	28.6
Other services and current operating expenses:					
Repair, maintenance and operation of physical assets (excluding special services).....	.5	.5	.5	.6	.5
Regulation and control.....	.5	.8	1.0	1.1	1.1
Other operation and administration.....	1.8	2.2	1.9	4.6	4.7

See footnotes at end of table.

Table D-2. CIVIL INVESTMENTS AND CURRENT OPERATING OUTLAYS—Continued

	1970 actual	1971 actual	1972 actual	1973 esti- mate	1974 esti- mate
CURRENT OUTLAYS—Continued					
Other services, etc.—Continued					
Interest.....	7.5	7.2	6.9	7.1	7.1
Subtotal, other services and current operating expenses.....	10.3	10.6	10.3	13.4	13.4
Total, current outlays.....	46.3	51.3	52.8	59.0	58.5
Total, investment-type outlays and current outlays.....	61.5	65.8	68.8	73.4	72.3

¹ Includes offsets for interbudgetary transactions.

Note.—Subtotals and totals may not add due to rounding.

OUTLAYS OF AN INVESTMENT NATURE

Outlays of an investment nature are divided into three categories: (1) Additions to Federal assets; (2) additions to State, local, and private assets; and (3) developmental outlays. The investment-type portion of civil outlays is \$37.0 billion, approximately 14% of the budget. Defense investments are \$28.9 billion, comprising 11% of the 1974 budget.

Additions to Federal assets.—This category comprises additions to both financial and physical assets of the Federal Government. Civil Federal assets in 1974 will be \$37.0 billion, increasing by \$1.0 billion, or 3% over the 1973 level.

The financial assets are primarily direct loans—for example, loans to finance private housing construction and encourage homeownership, to help small businesses, to finance rural electric and telephone systems, and to promote economic development abroad. Federal financial assets include both loans and other financial investments that are classified in the expenditure account, as well as loans in the loan account. Other financial investments include the capital provided for certain international organizations.

Civil loans and financial assets are estimated at \$1.1 billion and represent 0.4% of the 1974 budget. Loans are expected to increase by \$0.8 billion and other financial investments by \$0.1 billion. Special Analysis E discusses financial investments in greater detail.

Additions to physical assets include outlays for public works, (see Special Analysis O, Federal Public Works Activities), such as dam construction, flood control projects, Federal power systems, changes in major commodity inventories and outlays for major equipment (including military equipment) and for the acquisition and improvement of real property and other physical assets.

Additions to civil physical assets are \$4.4 billion in 1974, about the same as 1973. The major change is in outlays for sites and direct construction, which are expected to decrease \$0.5 billion.

Additions to State, local, and private assets.—Federal outlays in this category add to State, local, and private assets. Grants that add to the physical assets of State and local governments are pri-

marily for the construction of highways (mainly through the highway trust fund), hospitals, airports, waste-treatment works, watershed protection projects, schools in federally affected areas, and public facilities under economic development programs for depressed regions.

Outlays that increase the value of privately owned assets are largely for the conservation and improvement of private farmland and water, for grants for construction of private nonprofit hospitals and other health facilities, and for construction subsidies to the merchant fleet.

Civil additions to State, local, and private assets in 1974 will be \$8.3 billion, an increase of \$0.9 billion, primarily in Federal contribution to highways, hospitals, and other facilities. The rate of increase will remain at about 10%.

Developmental outlays.—Federal outlays of this type are principally for research and development, education and health, and other programs that improve the Nation's knowledge, technical skills, and physical vigor. The Federal outlays shown in this category do not fully reflect the Government's contribution to the productivity of the economy. Certain other programs that further this end are classified in accordance with their principal purpose; thus, veterans educational benefits are listed as veterans aids rather than as developmental outlays. Similarly, the training of military personnel or other Government personnel is treated as an operating expense and not as part of the Government's education and training programs.

Civil developmental outlays are \$21.9 billion, a decrease of \$0.6 billion from 1973. The past growth of these outlays has turned to a decline of 3% in 1974.

Civil outlays for education, training, and health are \$14.8 billion in 1973. This amount is 6% under 1973 outlays, a decrease of \$0.9 billion.

Current civil outlays for research and development are \$6.9 billion in 1974 and reflect an increase of \$0.2 billion from the 1973 level. The rate of increase in 1974 is 3%, in 1973 there was a slight decline.

OUTLAYS OF A CURRENT NATURE

Outlays of a current nature are divided into the following categories: (1) Current expenses for aids and special services; (2) retirement and social insurance benefits; and (3) other services and current operating expenses.

The current outlays for civil functions are \$157 billion, an increase of \$10 billion from 1973. The rate of increase, however, will decline from 20% in 1973 to 7% in 1974.

Current expenses for aids and special services.—Outlays classified under this heading provide aids or special services to certain groups, mainly in the year in which the outlays are made. In addition to such items as outlays for the farm programs of the Commodity Credit Corporation, maritime operating subsidies, veterans pensions, and grants to foreign nations for economic and military assistance, this category includes: (1) Administrative and other operating expense, attributable to investment-type programs that benefit specific groups; and (2) the costs of maintaining the physical assets related to those programs.

Only part of the Federal Government's aid to special groups is reflected in this classification, which is limited by definition to current expenses. For example, subsidies for the construction of private merchant ships are classified as additions to private assets. Similarly, outlays for which the Federal Government increases its holdings of assets or collateral (as the acquisition of farm commodities by the Commodity Credit Corporation) are treated as additions to Federal assets. Many indirect Government aids are excluded from this classification either because they are not reflected in outlays or cannot be readily measured. Examples of such indirect benefits are preferential tax treatments.

Although outlays in this category essentially provide a direct aid or special service yielding immediate benefits, some of the items included contribute indirectly to the Nation's future development. Among these are grants for several community development purposes.

The increase in welfare is expected to slow from an annual rate of 16% and a growth of over \$2 billion in 1973, to a rate of 4% and an increase of only \$0.5 billion in 1974.

Retirement and social insurance benefits.—This category applies only to trust funds. It covers benefit programs that: (1) Are financed from special taxes or contributions; and (2) provide insurance against the loss of income due to unemployment, retirement, disability, or death. It does not include outlays for Government employees' health and life insurance expenditures, which are in the form of premium payments to approved companies.

A large part of the growth in retirement and social insurance benefits is the result of a growing number of recipients as well as recent legislated increases. Outlays for these benefits are expected to rise 12% in 1973, to \$77.0 billion. These benefits will be 29% of the budget in 1974.

Other services and current operating outlays.—The outlays reported under this heading support a wide range of activities. They consist mainly of: Pay and subsistence of military personnel; repair, maintenance, and operation of physical assets of the national military establishment and general purpose public buildings; conduct of foreign affairs; tax collection; payment of interest on the national debt; and operation and administration of other direct Federal programs not elsewhere classified.

These outlays are expected to increase by \$2.3 billion and will reach \$35.9 billion in 1974. Revenue sharing accounts for the large 1972 increase in this category. Shared revenues and grants-in-aid increase by nearly \$7 billion in 1973 and increase an additional \$1.2 billion in 1974.

UNCLASSIFIED

Certain transactions cannot be properly classified into any of the categories described above. A major example of such transactions is the special allowances for civilian agency pay increases, and for unforeseeable contingencies.

Interbudgetary receipts arise as a result of transactions between Government agencies or funds. These transactions occur entirely within Government accounts and are deducted from outlays to avoid

double counting. In order to provide a measure of outlays by character, most interbudgetary receipts are allocated to a particular category whenever possible. Thus, for example, interest received by the social security and other trust funds is deducted from the *Interest* category in order to derive a measure of interest outlays affecting the public. In addition, Government agency contributions for employee retirement, which help to finance retirement benefits, are deducted as a lump-sum unclassified amount.

Proprietary receipts from the public, arising from market-oriented or business-type activities of the Government, are unclassified and offset against total outlays to highlight the *net* impact of the budget.

RELATIONSHIP TO CAPITAL BUDGET

The U.S. Government does not produce a capital budget in the sense of a long-range program for the acquisition of assets, with separate financing of capital outlays. Some foreign governments and some State and local governments fund a portion of their capital expenditures by separate borrowing. They exclude most or all such expenditures from their computation of budget totals, except for annual charges to amortize these capital outlays over a number of years.

While not a precise measure of the difference between capital and current items, this analysis does provide useful general magnitudes. However, it does not make any allowance for depreciation and obsolescence on existing physical assets, anticipated losses on loan programs, or profit or loss on sales of assets at figures different from their book value. Agencies record such allowances for transactions only where the data will serve program and management needs, as in the case of the public enterprise funds. As a result, it is not possible to determine directly from this analysis the net addition to the value of federally owned assets.

Recoverability of outlays.—In general, Government outlays for assets are not expected to be recovered by specific revenues. However, most loans, investment in commodity inventories, the construction of powerplants, and outlays for range and forest improvements on public domain and national forest lands are offset in whole or in part by receipts to the Treasury through repayments and sales, specific charges, or recoveries. Where activities are carried on through revolving funds, such as in the case of most loan programs, receipts are credited directly against disbursements and only the difference is included in the total of outlays in the budget and in this analysis. All other receipts from the public arising from market-oriented or business-type activities of the Government are offset against total outlays.

Whether recovered by specific revenues or not, investment and developmental outlays for both physical and human capital add to the wealth and income of the Nation, and by helping to expand the tax base, augment the Government's potential future revenues. However, this analysis does not attempt to measure the degree of recoverability of developmental outlays, the potential gain in public revenues that will be forthcoming from them, nor the duration of future benefits and their discounted present value.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)

Description	1972 actual	1973 estimate	1974 estimate
Investment-type outlays			
ADDITIONS TO FEDERAL ASSETS			
Loans:			
Civil:			
To domestic and private borrowers:			
Department of Agriculture:			
Commodity Credit Corporation: Price support and related programs	571	-335	-619
Rural Electrification Administration	551	716	501
Farmers Home Administration:			
Rural housing insurance	144	-223	-27
Agricultural credit insurance	129	-467	-26
Rural development insurance		-160	-78
Other ¹	-72	-34	-10
Other ¹	1	1	
Department of Health, Education, and Welfare:			
Office of Education:			
Higher education	246	267	-16
Other	34	53	61
Other	64	72	62
Department of Housing and Urban Development:			
Housing production and mortgage credit: Federal Housing Administration and Government National Mortgage Association:			
Federal Housing Administration fund	217	199	404
Special assistance functions	330	-773	-126
Management and liquidating functions and other	-349	-592	-249
Other	40	41	3
Veterans Administration:			
Loan guaranty revolving fund	-88	-193	-193
Veterans direct loans	-256	-277	-64
Other ¹	15	6	-7
Small Business Administration:			
Business loans and investment	38	77	73
Disaster loans	68	306	-25
Other agencies	65	82	*
Total to domestic and private borrowers	1,747	-1,234	-336
To State and local governments:			
Department of Housing and Urban Development: Community development and other			
	-48	59	-22
Department of Transportation: Right-of-way trust revolving fund and other			
	17	48	50
District of Columbia	186	230	270
Other agencies ¹	39	38	24
Total to State and local governments	194	375	323
To foreign borrowers:			
Fund appropriated to the President: International development assistance			
	615	563	439
Department of Agriculture: Public Law 480 credit sales	456	602	702
Other agencies	39	-3	-3
Total to foreign borrowers	1,110	1,162	1,137
Total loans, civil	3,051	303	1,123

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Loans—Continued			
National defense: To domestic and private borrowers: Other agencies.....	-2	-2	-1
To foreign borrowers:			
Funds appropriated to the President: International security assistance:			
Foreign military credit sales.....	147	230	313
Other.....	81	80	19
Other agencies.....	5	3	1
Total to foreign borrowers.....	233	312	332
Total loans, national defense.....	230	311	332
Total loans.....	3,281	614	1,455
Other financial investments—civil:			
Investments in quasi-public institutions, trust funds, and international institutions:			
Funds appropriated to the President: International financial institutions.....	276	420	548
Department of Labor.....	-1	-1	-----
Total investments in quasi-public institutions, trust funds, and international institutions.....	275	420	548
Public works—sites and direct construction:			
Civil:			
Department of Agriculture:			
Forest Service:			
Forest roads and trails.....	105	123	62
Other ¹	53	86	90
Other.....	8	10	8
Department of Defense—Civil:			
Corps of Engineers:			
Construction, general.....	996	1,041	930
Other ¹	78	94	96
Other ¹	10	16	25
Department of Health, Education, and Welfare.....	52	80	78
Department of the Interior:			
Bureau of Indian Affairs: Construction of schools and roads.....	65	84	105
National Park Service: Construction and other ¹	51	60	70
Bureau of Reclamation:			
Construction and rehabilitation.....	187	255	216
Colorado River Basin project.....	34	64	57
Other ¹	20	31	26
Other ¹	116	130	141
Department of Transportation:			
Federal Aviation Administration: Airway system investment and development (airport and airway trust fund).....	231	212	224
Other.....	35	25	63
General Services Administration: Public buildings.....	206	254	261
Veterans Administration: Hospitals and other.....	105	110	100
Postal Service.....	272	429	-----

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Public works—sites and direct construction—Continued			
Civil—Continued			
Tennessee Valley Authority.....	580	493	515
Other agencies ¹	90	163	226
Total public works, civil.....	3,294	3,760	3,292
National defense:			
Department of Defense—Military:			
Military construction.....	1,045	970	1,123
Family housing.....	150	217	257
Other.....	2	3	2
Atomic Energy Commission.....	222	254	341
Total public works, national defense.....	1,419	1,443	1,723
Total public works—sites and direct construction.....	4,713	5,203	5,015
Major commodity inventories:			
Civil:			
Department of Agriculture: Commodity Credit Corporation:			
Agricultural commodities.....	-118	-708	39
Department of the Interior: Helium fund.....	42	28	5
Total major commodity inventories, civil.....	-75	-679	44
National defense:			
Other agencies.....	17	96	23
Intrabudgetary transactions (-).....	-10	-----	-----
Total major commodity inventories, national defense.....	6	96	23
Total major commodity inventories.....	-69	-584	67
Major equipment:			
Civil:			
Department of Transportation: Coast Guard and other.....	59	95	95
Postal Service.....	44	221	-----
Other agencies ¹	17	52	39
Total major equipment, civil.....	120	368	134
National defense:			
Department of Defense—Military: Procurement.....	17,131	15,600	16,490
Atomic Energy Commission.....	150	174	166
Total major equipment, national defense.....	17,282	15,774	16,656
Total major equipment.....	17,402	16,142	16,790

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Other physical assets—acquisition and improvement:			
Civil:			
Department of Agriculture: Reforestation and range improvements and other ¹	69	78	72
Department of Housing and Urban Development: Housing production and mortgage credit and other	538	795	786
Department of the Interior:			
Land and water conservation	95	104	80
Other	24	23	20
Other agencies ¹		-17	-14
Total other physical assets, civil	726	983	944
National defense: Atomic Energy Commission	492	197	241
Total other physical assets—acquisition and improvement	1,219	1,180	1,185
Total additions to Federal assets	26,821	22,975	25,059
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS			
State and local assets:			
Civil:			
Funds appropriated to the President	200	210	225
Department of Agriculture:			
Watershed and flood prevention operations	80	102	82
Resource conservation and development	6	8	12
Rural water and waste disposal grants and other	26	52	48
Department of Commerce: Economic development facilities and other	168	181	182
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration: Health services planning and development and other	124	82	36
National Institutes of Health: Health manpower	170	93	133
Office of Education: Higher education and other	146	103	74
Social and Rehabilitation Service	7	10	10
Department of Housing and Urban Development:			
Community planning and management	*	3	2
Community development:			
Grants for basic water and sewer facilities	134	130	123
Open space land programs	52	57	70
Other	23	26	35
Department of the Interior:			
Land and water conservation	89	126	160
Sport fisheries and wildlife and other	63	85	77
Department of Justice: Law enforcement assistance	25	61	71
Department of Transportation:			
Federal Aviation Administration: Grants-in-aid for airports (airport and airway trust fund)	105	220	234
Federal Highway Administration:			
Federal-aid highways (trust fund)	4,547	4,603	4,404
Other ¹	50	62	66
Urban Mass Transportation Administration	175	347	437
Other ¹	3	5	5

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Investment-type outlays—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued			
State and local assets—Continued			
Civil—Continued			
Environmental Protection Agency.....	413	727	1,600
Washington Metropolitan Area Transit Authority: Federal contribution.....	84	80	167
Other agencies ¹	6	9	10
Intrabudgetary transactions (—).....		-2	
Total State and local assets, civil.....	6,696	7,380	8,263
National defense: Department of Defense—Military.....	24	36	48
Total State and local assets.....	6,719	7,416	8,311
Private assets:			
Civil:			
Department of Agriculture:			
Agricultural Stabilization and Conservation Service.....	260	249	75
Soil Conservation Service ¹	203	217	205
Other.....	-16	3	3
Department of Commerce: Ship construction.....	143	177	213
Department of Health, Education, and Welfare:			
Health services planning and development.....	137	100	97
Other.....	118	175	133
National Science Foundation.....	36	39	20
Other agencies.....	9	14	5
Total private assets, civil.....	890	974	760
National defense: Atomic Energy Commission.....	*	*	*
Total private assets.....	890	974	761
Total additions to State, local, and private assets.....	7,610	8,390	9,071
OTHER DEVELOPMENTAL EXPENDITURES			
Education, training, and health:			
Civil:			
Funds appropriated to the President.....	473	228	99
Department of Agriculture: Extension service and other.....	172	195	207
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration:			
Mental health.....	281	366	396
Health services planning and development.....	110	163	142
Health services delivery.....	586	586	664
Indian health services.....	144	166	175
Other ¹	76	123	120
National Institutes of Health:			
Health manpower.....	188	367	341
Other.....	204	199	195

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Continued			
Education, training and health—Continued			
Civil—Continued			
Office of Education:			
Elementary and secondary education.....	1,888	1,849	552
School assistance in federally affected areas.....	629	442	106
Emergency school assistance.....	72	59	202
Education for the handicapped.....	80	100	77
Occupational, vocational, and adult education.....	471	496	258
Higher education.....	859	961	1,445
Educational development.....	150	198	254
Other ¹	144	186	162
Social and Rehabilitation Service:			
Grants to States for public assistance.....	4,695	4,381	5,327
Social and rehabilitation services.....	629	693	716
Other.....	11	13	12
Office of Child Development:			
Office of Child Development.....	202	370	397
Other ¹	90	124	149
Department of the Interior: Bureau of Indian Affairs: Educa- tion and welfare services.....	168	187	176
Department of Justice: Law enforcement assistance and other.....	54	82	97
Department of Labor:			
Manpower Administration:			
Manpower revenue sharing.....	1,609	1,384	1,161
Emergency employment assistance.....	558	1,073	571
Other expenses.....	52	54	58
Veterans Administration: Medical care and other.....	118	147	154
Action.....	52	88	86
National Foundation on the Arts and the Humanities ¹	44	72	120
National Science Foundation.....	119	116	116
Other agencies.....	138	174	239
Total education, training and health, civil.....	<u>15,067</u>	<u>15,642</u>	<u>14,774</u>
National defense: Atomic Energy Commission and other agencies.....	14	15	13
Total education, training, and health.....	<u>15,081</u>	<u>15,656</u>	<u>14,787</u>
Research and development:			
Civil:			
Funds appropriated to the President.....	59	77	55
Department of Agriculture:			
Agricultural Research Service ¹	201	202	200
Cooperative State Research Service ¹	74	82	68
Forest Service ¹	55	56	58
Other ¹	21	23	22
Department of Commerce: National Oceanic and Atmospheric Administration ¹	110	111	114
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration:			
Mental health.....	141	128	139
Health services planning and development.....	51	50	36
Other.....	87	97	74

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Continued			
Research and development—Continued			
Civil—Continued			
National Institutes of Health.....	1,096	1,189	1,313
Office of Education: Educational renewal and other.....	92	90	62
National Institute of Education.....	---	43	118
Social and Rehabilitation Service.....	54	64	68
Other ¹	32	46	48
Department of the Interior:			
Geological survey.....	52	65	65
Conservation and development of mineral resources ¹	66	78	73
Other ¹	91	117	119
Department of Transportation:			
Federal Aviation Administration:			
Civil supersonic aircraft development.....	27	12	10
Civil supersonic aircraft development termination.....	64	4	4
Research, engineering and development (Airport and airway trust fund).....	58	51	65
Other ¹	16	27	23
Other ¹	126	171	193
Environmental Protection Agency.....	133	146	115
National Aeronautics and Space Administration ¹	3,385	3,018	3,066
National Science Foundation ¹	407	412	442
Postal Service.....	51	47	---
Other agencies ¹	199	232	274
Total research and development, civil.....	6,753	6,656	6,864
National defense:			
Department of Defense—Military:			
Military personnel.....	352	365	361
Research, development, test, and evaluation.....	7,881	7,622	8,069
Other.....	5	6	8
Atomic Energy Commission.....	1,298	1,358	1,411
Total research and development, national defense.....	9,535	9,351	9,849
Total research and development.....	16,288	16,008	16,713
Engineering and natural resources surveys—civil:			
Department of the Interior:			
Geological survey.....	62	64	78
Other ¹	42	49	61
Other agencies ¹	96	114	121
Intrabudgetary transactions (—).....	—19	—21	—3
Total engineering and natural resources surveys.....	181	206	257
Total other developmental expenditures.....	31,551	31,870	31,757
Total investment-type outlays.....	65,982	63,235	65,888

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES			
Agriculture—civil:			
Department of Agriculture:			
Agricultural Stabilization and Conservation Service:			
Expenses and other	170	177	156
Sugar Act program	86	88	92
Commodity Credit Corporation:			
Price support and related programs	3,530	4,445	3,290
National Wool Act	117	63	42
Other	*	*	-----
Farmers Home Administration:			
Salaries and expenses and other ¹	104	128	117
Rural housing insurance	25	132	155
Agricultural credit insurance	64	138	130
Agricultural Marketing Service ¹	74	72	70
Other ¹	110	117	127
Other agencies	7	5	4
Total agriculture	<u>4,287</u>	<u>5,366</u>	<u>4,183</u>
Business—civil:			
Department of Commerce:			
Patent Office, National Bureau of Standards, National Technical Information Service, and Office of Telecommunication ¹			
	64	70	74
Maritime Administration: Operating-differential subsidies and other			
	255	224	256
Other ¹			
	118	172	207
Department of Defense—Civil:			
Corps of Engineers			
	208	250	291
The Panama Canal			
	-11	-8	-17
Department of Transportation:			
Coast Guard: Navigation aids and other ¹			
	443	465	473
Federal Aviation Administration: Operations and other ¹			
	1,051	1,041	1,123
Federal Railroad Administration			
	80	110	96
Other			
	7	8	8
Civil Aeronautics Board: Payments to air carriers			
	63	76	67
Small Business Administration: Business loans and investments and other			
	355	935	266
Other agencies ¹			
	21	22	13
Intrabudgetary transactions (-)			
	-26	-34	-31
Total business	<u>2,628</u>	<u>3,330</u>	<u>2,825</u>
Labor—civil:			
Department of the Interior: Mines and minerals			
	45	55	51
Department of Health, Education, and Welfare: Social and rehabilitation Service: Work incentives			
	139	270	337
Department of Labor:			
Manpower Administration:			
Unemployment trust fund	822	839	865
Manpower revenue sharing	50	60	25
Federal grants for employment services	-----	64	64
Other	38	76	54
Employment Standards Administration ¹			
	82	56	54
Occupational Safety and Health Administration			
	-----	51	64

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Labor—civil—Continued			
Department of Labor—Continued			
Other ¹	49	62	65
Other agencies.....	4	13	33
Intrabudgetary transactions (—).....	-----	-2	-4
Total labor.....	<u>1,248</u>	<u>1,564</u>	<u>1,625</u>
Homeowners and tenants—civil:			
Funds appropriated to the President.....	*	1	1
Department of Housing and Urban Development:			
Housing Production and Mortgage Credit:			
Federal Housing Administration.....	-465	-235	-320
Special assistance functions.....	119	179	154
Other.....	7	-7	-39
Housing management: Housing payments and other.....	1,134	1,674	2,007
Other.....	12	23	30
Federal Home Loan Bank Board.....	-131	-158	-309
Total homeowners and tenants.....	<u>676</u>	<u>1,477</u>	<u>1,524</u>
Veterans—civil:			
Department of Health, Education, and Welfare: Payments to Social Security trust funds.....	235	237	239
Veterans Administration:			
Compensation and pensions.....	6,144	6,560	6,214
Readjustment benefits.....	1,918	2,542	2,521
Medical care.....	2,110	2,375	2,422
General operating expenses.....	284	321	315
National service life insurance.....	707	495	593
Other ¹	53	80	53
Other agencies ¹	35	53	36
Intrabudgetary transactions (—).....	-258	-261	-264
Total veterans.....	<u>11,227</u>	<u>12,402</u>	<u>12,130</u>
International aids:			
Civil:			
Funds appropriated to the President:			
International security assistance.....	717	563	708
International development assistance ¹	475	540	544
Contingencies.....	43	23	19
Department of Agriculture:			
Economic Research Service.....	*	-----	-----
Public Law 480 donations of agricultural commodities.....	-----	-----	-----
Other agencies ¹	110	147	129
Total international aids, civil.....	<u>1,883</u>	<u>1,518</u>	<u>1,466</u>

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
International aids—Continued			
National defense:			
Funds appropriated to the President: International security assistance ¹	1,745	2,690	3,084
Department of Defense—Military: Military construction.....	44	72	60
Total international aids, national defense.....	1,789	2,762	3,144
Total international aids.....	3,672	4,280	4,610
Welfare aids—civil:			
Funds appropriated to the President: Disaster relief.....	92	325	250
Department of Agriculture:			
Funds for strengthening markets, income, and supply.....	587	806	745
Child nutrition programs.....	622	605	749
Special milk program.....	94	94	38
Food stamp program.....	1,909	2,192	2,196
Department of Health, Education, and Welfare:			
Social and Rehabilitation Service:			
Grants to States for public assistance.....	8,395	8,326	7,170
Assistance to refugees in the United States.....	111	127	89
Work incentives.....	32	125	203
Social and rehabilitation services.....	33	132	191
Other services.....	40	56	76
Social Security Administration:			
Special benefits for disabled coalminers.....	418	1,484	966
Supplemental security income.....	-----	76	2,208
Department of the Interior: Bureau of Indian Affairs: Education and welfare services.....	100	109	109
Total welfare aids.....	12,433	14,459	14,989
Other aids and special services—civil:			
Funds appropriated to the President ¹	574	519	263
Department of Commerce ¹	97	105	47
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration.....	153	173	173
Social Security Administration:			
Payments to social security trust funds.....	2,219	2,144	2,871
Federal old-age and survivors insurance trust fund.....	569	667	693
Federal disability insurance trust fund.....	206	248	262
Federal hospital insurance trust fund.....	164	208	292
Federal supplementary medical insurance trust fund.....	284	267	388
Office of the Secretary: Departmental management, civil rights, and other.....	57	71	122
Other.....	38	45	49
Department of Housing and Urban Development:			
Community planning and management: Comprehensive planning grants and other.....	52	95	106
Community development:			
Model Cities.....	500	583	600
Urban renewal capital grants.....	1,218	950	1,050
Other.....	51	25	31
Departmental management and other.....	23	52	55

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Other aids and special services—civil—Continued			
Department of the Interior:			
Bureau of Indian Affairs:			
Resources management.....	79	84	108
Tribal funds (trust fund).....	144	129	257
Other ¹	18	17	17
Other ¹	6	7	8
Department of Transportation:			
Federal Highway Administration:			
Federal-aid highways (trust fund).....	86	82	81
Other ¹	14	34	54
National Highway Traffic Safety Administration:			
State and community highway safety.....	68	36	31
Trust fund share of traffic safety programs.....	6	30	70
Other.....	31	20	44
Other.....	26	38	37
Federal Deposit Insurance Corporation fund (trust revolving fund).....	-433	-519	-536
Postal service.....	1,405	1,013	1,373
Other agencies ¹	72	74	99
Intrabudgetary transactions (-).....	-2,370	-2,354	-3,059
Total other aids and special services.....	5,359	4,845	5,586
Total, current expenses for aids and special services.....	41,530	47,724	47,472
RETIREMENT AND SOCIAL INSURANCE BENEFITS			
Insurance benefits—civil:			
Department of Health, Education, and Welfare: Social Security Administration:			
Federal old-age and survivors insurance trust fund.....	34,540	42,323	47,403
Federal disability insurance trust fund.....	4,046	5,242	6,106
Federal hospital insurance trust fund.....	6,108	6,645	8,923
Federal supplementary medical insurance trust fund.....	2,255	2,445	3,003
Proposed legislation.....			-826
Department of Labor: Manpower Administration: Unemployment trust fund.....			
Railroad Retirement Board (trust fund).....	120	105	98
	2,107	2,427	2,598
Total insurance benefits.....	49,177	59,187	67,305
Unemployment benefits—civil: Department of Labor:			
Manpower administration: Unemployment trust fund.....	5,978	5,152	4,534
Other retirement and social insurance benefits—civil:			
Civil Service Commission: Civil service retirement and disability trust fund.....			
Other trust funds.....	3,778	4,505	5,093
Other trust funds.....	27	30	33
Intrabudgetary transactions (-).....	-4	-13	-9
Total other retirement and social insurance benefits.....	3,802	4,523	5,117
Total retirement and social insurance benefits.....	58,957	68,862	76,957

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES			
Repair, maintenance, and operation of physical assets:			
Civil:			
Department of Agriculture: Forest Service ¹	306	329	271
Department of Defense—Civil:			
Corps of Engineers.....	145	220	176
Miscellaneous accounts.....	*	1	1
Department of the Interior:			
Bureau of Land Management.....	89	92	90
National Park Service ¹	120	157	191
Bureau of Reclamation ¹	83	96	101
Other.....	56	69	69
General Services Administration: Public buildings.....	436	503	514
Tennessee Valley Authority.....	-189	-95	-213
Other agencies ¹	73	90	97
Intrabudgetary transactions (-).....	*		
Total repair, maintenance, and operation of physical assets, civil.....	1, 118	1, 461	1, 297
National defense:			
Department of Defense—Military:			
Operation and maintenance.....	21, 626	21, 494	21, 613
Familyhousing.....	473	558	646
Atomic Energy Commission.....	206	191	198
General Services Administration.....	*	*	*
Total repair, maintenance, and operation of physical assets, national defense.....	22, 305	22, 243	22, 457
Total repair, maintenance, and operation of physical assets	23, 423	23, 705	23, 754
Regulation and control—civil:			
The Judiciary ¹	173	193	206
Department of Agriculture:			
Animal and Plant Health Inspection Service ¹	102	317	289
Agricultural Marketing Service ¹	124	9	9
Other ¹	54	7	7
Department of Health, Education, and Welfare: Food and Drug Administration and other.....	88	120	125
Department of Justice:			
Legal activities and general administration.....	153	176	191
Federal Bureau of Investigation.....	323	340	343
Immigration and Naturalization Service.....	128	134	138
Federal Prison System ¹	96	111	123
Law Enforcement Assistance Administration.....	291	427	420
Bureau of Narcotics and Dangerous Drugs.....	56	69	72
Department of Transportation:			
Coast Guard.....	66	80	91
Federal Aviation Administration.....	57	83	75
Federal Railroad Administration.....	5	7	8
Department of the Treasury:			
Bureau of Alcohol, Tobacco and Firearms.....		70	72
Bureau of Customs ¹	42	63	69
Internal Revenue Service.....	72	49	55

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Regulation and control—civil—Continued			
Department of the Treasury—Continued			
Secret Service.....	54	64	64
Other ¹	-3		1
Environmental Protection Agency:			
Abatement and control.....		79	149
Operations, research, and facilities.....	144	79	38
Other ¹	*	21	34
Other agencies ¹	243	278	306
Total regulation and control.....	2,267	2,776	2,884
Other operation and administration:			
Civil:			
International activities:			
Department of State:			
Administration of foreign affairs ¹	249	268	282
International organizations and conferences ¹	172	196	213
Other ¹	40	46	50
United States Information Agency ¹	196	205	211
Other agencies.....	41	48	52
Total international activities.....	697	763	808
Federal financial activities:			
Legislative branch: General Accounting Office and other....	90	101	111
Department of the Treasury:			
Bureau of Accounts ¹	73	65	72
Bureau of Customs.....	148	165	181
Internal Revenue Service.....	1,019	1,101	1,121
Bureau of the Public Debt.....	69	76	78
Other.....	52	55	56
Other agencies.....	10	4	2
Total Federal financial activities.....	1,462	1,567	1,622
Other direct Federal programs:			
Legislative branch ¹	366	371	422
Executive Office of the President.....	49	88	83
Funds appropriated to the President.....	15	42	57
Department of Commerce:			
National Oceanic and Atmospheric Administration ¹	183	143	180
Other.....	12	15	17
Department of Defense—Civil:			
Corps of Engineers.....	29	32	33
The Panama Canal.....	51	59	59
Department of the Interior: Claims and treaty obligations and other ¹			
	77	125	149
Department of the Treasury: Bureau of Accounts and other ¹			
	66	87	107
Environmental Protection Agency.....	62	75	101
General Services Administration.....	77	137	129

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration—Continued			
Civil—Continued			
Other direct Federal programs—Continued			
Civil Service Commission:			
Employees health benefits fund.....	—54	—104	—21
Employees life insurance fund.....	—116	—187	—395
Other ¹	58	80	83
Other agencies ¹	20	30	34
Intrabudgetary transactions (—).....	*	*	*
Total other direct Federal programs.....	895	992	1,040
Retirement, unemployment, and accident compensation for Federal employees:			
Department of Labor:			
Federal unemployment benefits and allowances.....	515	430	322
Employment standards administration: Special benefits ..	104	105	141
Civil Service Commission: Special payments and annuities..	1,272	1,729	2,101
Other agencies.....	93	108	118
Intrabudgetary transactions (—).....	—1,170	—1,602	—2,276
Total retirement, unemployment, and accident compensa- tion for Federal employees.....	814	770	406
Shared revenues and grants-in-aid:			
Department of Agriculture: Forest Service.....	58	86	103
Department of Health, Education, and Welfare: Education revenue sharing.....			1,693
Department of the Interior: Land management, territorial affairs and other.....	157	169	173
Department of Justice: Law Enforcement Assistance Administration.....			221
Department of the Treasury:			
Bureau of Customs.....	73	84	94
Internal Revenue Service.....	101	110	116
State and local government fiscal assistance.....		6,786	6,035
District of Columbia.....	174	190	190
Other agencies.....	34	37	44
Total shared revenues and grants-in-aid.....	597	7,460	8,669
Total other operation and administration, civil.....	4,465	11,553	12,544
National defense:			
Department of Defense—Military:			
Military personnel.....	22,684	22,720	22,139
Retired military personnel.....	3,885	4,442	4,706
Revolving and management funds.....	—222	—708	—606
Other ¹	188	204	196
Selective Service System.....	75	92	55
Other agencies ¹	7	9	9
Intrabudgetary transactions (—).....	—6	—6	—6
Total other operation and administration, national defense..	26,610	26,753	26,492
Total other operation and administration.....	31,076	38,306	39,035

See footnotes at end of table.

Table D-3. INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS
(in millions of dollars)—Continued

Description	1972 actual	1973 estimate	1974 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Interest:			
On public debt.....	21,849	24,200	26,100
Other interest:			
On refunds: Department of the Treasury.....	182	175	175
On uninvested funds: Department of the Treasury.....	6	5	5
Other agencies.....	2	2	4
Intrabudgetary transactions (—).....	*	*	*
Total other interest.....	190	182	184
Intrabudgetary transactions (—):			
Interest on Government capital in enterprises (—) ¹	-1,018	-1,178	-1,153
Interest received by trust funds (—).....	-5,089	-5,401	-5,974
Trust interfund interest (—).....		*	
Total interest.....	15,932	17,803	19,158
Total other services and current operating expenses.....	72,697	82,590	84,831
National defense allowances:			
Civilian and military pay raises.....		710	2,680
All-Volunteer Force.....			140
Military retirement systems reform.....			370
Total national defense allowances.....		710	3,190
Total current outlays.....	173,184	199,886	212,450
UNCLASSIFIED			
Payments to other funds.....	2	1	*
Allowances for contingencies and civilian agency pay raises.....		500	1,750
Employer share, employee retirement (—).....	-2,768	-2,980	-3,157
Proprietary receipts from the public (—).....	-4,523	-10,846	-8,266
Total budget outlays.....	231,876	249,796	268,665

*Less than \$500 thousand.

¹ Includes both Federal funds and trust funds.

SPECIAL ANALYSIS E

FEDERAL CREDIT PROGRAMS

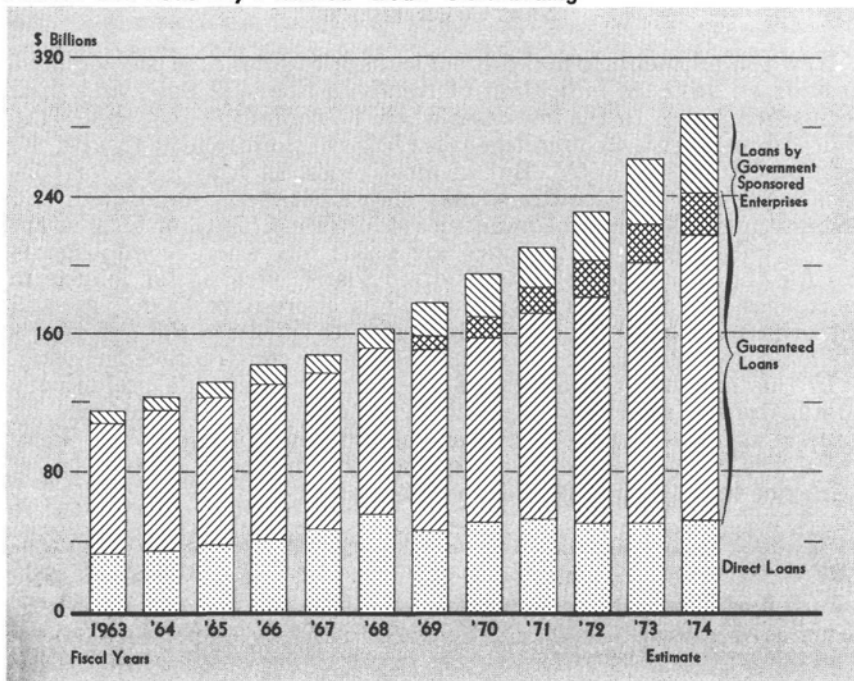
INTRODUCTION

Federal credit aids—direct loans, insurance or guarantees of private loans, and interest subsidies—play a major role in many Government programs. Moreover, several Government-sponsored credit agencies provide additional credit assistance outside the budget.

The total credit provided by Federal direct loans, guarantees¹ of private loans, and loans of federally sponsored enterprises, has risen steadily during the past decade. This growth reflects both the expansion of existing programs and the initiation of new programs to meet emerging needs. This trend has been marked almost wholly by increased reliance upon private financing facilities, and a conscious attempt to limit the Government's role as a direct lender. A major benchmark in this trend was the conversion to private ownership in 1969 of three enterprises formerly included in the budget—the Secondary market operations trust fund of the Federal National Mortgage Association (FNMA), the Federal intermediate credit banks, and the banks for cooperatives.

¹ Statutory usage of the terms guarantee and insurance follows no consistent pattern that distinguishes between them. Guarantee is, therefore, used frequently in this text to cover both terms.

Federal and Federally Assisted Credit Outstanding



The increased emphasis on private financing (and away from direct loans with their immediate large budgetary impact) is frequently being accompanied by Federal payment of a share of the interest costs, usually under long-term subsidy contracts.

SCOPE OF SPECIAL ANALYSIS

This analysis summarizes 1972-74 trends of Federal credit programs, indicates the relationship between the credit programs and overall budget totals, identifies and estimates loan subsidy values, provides data on off-budget credit agencies sponsored by the Government, and aggregates Federal and federally assisted credit. Major legislative developments affecting credit programs are also identified—including newly enacted programs, program amendments, and proposed legislation contemplated by the 1974 budget proposals.

Disbursements, repayments, and net outlays for each budget account containing loan transactions are listed in the Appendix to the Budget.²

Since most loan disbursements and repayments in foreign currencies are not included in the budget, the tables in this analysis include only data on loans that are both disbursed and repayable in dollars. Recent policy has required that loans disbursed in dollars be repaid in dollars; however, loans disbursed in foreign currencies may stipulate repayment either in dollars or in local currencies.³

NEW COMMITMENTS

New commitments to make direct loans or to guarantee private loans provide an advance indication of trends in financial flows and their economic impact. In the few cases where no commitment precedes the loan disbursement, a commitment is recorded simultaneously with the loan outlay or guarantee. But in most cases, such as loans for construction, fairly long leadtimes may elapse between commitment and disbursement. Nearly all commitments for direct loans, or for guarantees of subsidized private loans, are used; but where commitments are for the guarantee of unsubsidized loans, such as for long-term mortgages, the borrower sometimes finds alternative financing—and the principal effect of the commitment is to facilitate the borrower's planning and aid him in obtaining short-term construction financing.

In this analysis, commitments are defined to include preliminary administrative reservations of funds as well as final approvals by Federal agencies of direct loans or guarantees of private loans. They are shown on a gross basis and include the unguaranteed portions of loans not fully covered by Federal guarantees.

² See Appendix, p. 1104.

³ Government agency direct loan transactions disbursed or repayable in foreign currencies (in millions of dollars) are:

	1972	1973	1974
Outstanding, start of year (dollar equivalents).....	5,675	5,354	5,232
Disbursements.....	65	34	30
Repayment—dollars.....	-1	-1	-2
Repayments—local currencies.....	-154	-154	-160
Net disbursements.....	-90	-121	-133
Adjustments.....	-230	-----	-----
Outstanding, end of year.....	5,354	5,232	5,099

Table E-1. NEW COMMITMENTS FOR FEDERAL CREDIT PROGRAMS
(in millions of dollars)

Agency or program	1972 actual		1973 estimate		1974 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
Funds appropriated to the President:						
International security assistance.....	330	220	350	200	447	313
International development assistance.....	632	110	632	165	678	351
Agriculture:						
Rural Electrification Administration ¹	663	-----	410	-----	150	-----
Farmers Home Administration.....	378	2,356	82	3,596	11	2,870
Commodity Credit Corporation.....	3,172	-----	2,935	-----	2,941	-----
Public Law 480 long-term export credits....	514	-----	708	-----	799	-----
Commerce:						
Economic development loans.....	47	19	26	2	5	-----
Maritime Administration.....	-----	258	2	204	-----	235
Financial and technical assistance.....	5	-----	16	30	14	20
Health, Education, and Welfare:						
Health programs.....	63	76	73	87	57	-----
Education programs.....	330	1,824	354	1,702	75	1,671
Housing and Urban Development:						
Low-rent public housing.....	166	2,071	88	788	15	137
Federal Housing Administration.....	-----	20,824	-----	14,531	-----	14,882
Government National Mortgage Association.....	16	-----	5	-----	-----	-----
Community development loans.....	679	1,398	777	1,928	-----	-----
New communities fund.....	-----	116	-----	300	-----	250
Other mortgage credit.....	97	203	-----	-----	-----	-----
Interior.....	20	-----	34	-----	19	35
Transportation.....	17	85	88	252	50	1,143
General Services Administration.....	7	-----	25	635	20	483
Veterans Administration:						
Housing loans and guarantees.....	249	8,242	278	8,732	293	8,643
Insurance policy loans.....	126	-----	125	-----	119	-----
District of Columbia.....	186	-----	230	-----	270	-----
Emergency Loan Guarantee Board.....	-----	100	-----	60	-----	60
Export-Import Bank ²	319	5,535	-----	5,330	-----	7,039
Federal Home Loan Bank Board.....	18	-----	10	-----	10	-----
Small Business Administration:						
Business and investment loans.....	232	1,364	225	1,965	235	2,703
Disaster loans.....	133	3	544	-----	14	-----
Washington Metropolitan Area Transit Authority.....	-----	-----	-----	443	-----	334
Other agencies and programs.....	100	2	115	5	70	308
Total.....	8,498	44,808	8,132	40,988	6,293	41,478

MEMORANDUM

GNMA Tandem plan ³	7,144	-----	4,807	-----	2,350	-----
GNMA mortgage backed securities ³	-----	3,518	-----	4,830	-----	5,303
Export-Import Bank ⁴	2,967	-----	6,400	-----	7,500	-----

¹ Effective Jan. 1, 1973, rural electrification loans were converted from the regular REA program to insured loans under the Rural development insurance fund of the Farmers Home Administration, with total program increases of \$200 million each for 1973 and 1974.

² Excluded from budget totals by statute on Aug. 17, 1971.

³ Excluded from totals because they duplicate commitments counted elsewhere (see text).

⁴ Shown here due to the statutory exclusion of the bank's transactions from the (beginning Aug. 17, 1971) budget.

Direct loans.—New commitments for direct loans will decline from \$8.5 billion in 1972 to \$8.1 billion in 1973 and \$6.3 billion in 1974. Despite this decline, however, there will be modest increases for a few programs (see table E-1).

The Export-Import Bank, excluded from budget totals by statute on August 17, 1971, plans to raise its direct loan commitments to \$7.5 billion in 1974 compared to a 1972 level of \$3.3 billion.

To avoid double counting, the direct loan commitment data do not reflect the use of direct loan commitments resulting from the tandem plan of the Government National Mortgage Association (GNMA). Under this program GNMA partially supports the market for guaranteed housing loans when requirements for market yields significantly exceed the interest rate ceiling placed on these loans by the guaranteeing agency.

GNMA makes advance commitments to purchase these loans at a suitable purchase price, subsequently reselling them at marketable yields. Commitments totaled \$7.1 billion in 1972, and are estimated at \$4.8 and \$2.4 billion, respectively, in 1973 and 1974. The decline in commitment levels is due partly to improved market expectations and partly to the suspension of commitments for subsidized housing programs as of January 5, 1973. Commitments may or may not be used, depending on market conditions at the time of loan closing.

Guarantees.—New commitments for guarantees of private loans are expected to decline from \$44.8 billion in 1972 to \$41.0 billion in 1973 but rise slightly to \$41.5 billion in 1974.

The decrease in new commitments is mainly accounted for by a \$6.3 billion decline in insurance commitments of the Federal Housing Administration. Although housing related guarantees continue to dominate, nonhousing commitments are 34% of the total for 1974, compared to 21% in 1972.

To avoid double counting, GNMA commitments to guarantee private securities backed by federally guaranteed housing loans are excluded from table E-1 totals. New GNMA security guarantees were \$3.5 billion in 1972 and are expected to be \$4.8 billion in 1973 and \$5.3 billion in 1974. The Export-Import Bank plans to raise its 1973 level of commitments for guaranteed loans by about \$2.1 billion above the 1972 level.

DISBURSEMENTS AND REPAYMENTS

Disbursements for direct loans are of significantly different character from most other expenditures in the budget: First, a government asset is established in the amount of the loan; and second, the loan principal amount tends usually to be recovered over the term of the loan. Repayments against outstanding loans are not classified as revenues, but are offset—against new loan disbursements for loan revolving funds, and against general expenditures in the case of nonrevolving accounts.

Gross loan disbursements provide one measure of program levels, but an important caveat with respect to the loan disbursement levels displayed in table E-2 is that only about half of the totals represent *primary* direct loan programs. The remainder are disbursements relating to guarantee programs. In some of the Farmers Home Administration programs, for example, the loan is customarily originated by

Table E-2. DISBURSEMENTS AND REPAYMENTS FOR FEDERAL CREDIT PROGRAMS (in millions of dollars)

Agency or program	1972 actual		1973 estimate		1974 estimate	
	Disbursements	Repayments	Disbursements	Repayments	Disbursements	Repayments
Funds appropriated to the President:						
International security assistance.....	236	58	366	122	370	126
International development assistance.....	677	106	652	138	572	183
Agriculture:						
Rural Electrification Administration ¹	551	186	716	195	501	208
Farmers Home Administration.....	3,140	2,940	3,568	4,452	3,039	3,180
Commodity Credit Corporation.....	3,112	2,542	2,839	3,174	2,838	3,457
Public Law 480 long-term export credits....	524	68	708	106	799	98
Commerce:						
Economic development loans.....	53	14	48	18	34	22
Maritime Administration.....	-----	7	-5	6	-----	6
Financial and technical assistance.....	1	-----	6	-----	12	-----
Health, Education, and Welfare:						
Health programs.....	62	1	70	2	61	2
Education programs.....	293	10	335	14	65	20
Housing and Urban Development:						
Low-rent public housing.....	716	741	750	750	500	510
Federal Housing Administration.....	249	31	323	124	432	28
Government National Mortgage Association	527	561	143	1,505	131	490
Community development loans.....	666	658	768	655	720	695
Other mortgage credit.....	88	65	62	76	31	79
Interior.....	16	3	29	4	20	5
Transportation.....	17	*	78	*	60	*
Treasury Department.....	-----	180	-4	227	-----	109
General Services Administration.....	7	24	7	94	20	24
Veterans Administration:						
Housing loans and guarantees.....	234	579	289	759	297	554
Insurance policy loans.....	126	111	125	119	119	125
District of Columbia.....	186	49	230	52	270	53
Export-Import Bank.....	127	85	-----	-----	-----	-----
Federal Home Loan Bank Board.....	18	24	10	26	10	17
Small Business Administration:						
Business and investment loans.....	226	187	267	191	277	204
Disaster loans.....	131	63	378	72	93	119
Other agencies and programs.....	73	18	59	23	-14	14
Total.....	12,057	9,314	12,818	12,905	11,257	10,327
MEMORANDUM						
GNMA Tandem plan ²	324	62	1,590	1,852	1,100	1,100
Export-Import Bank ³	1,382	1,133	2,888	1,148	3,576	1,958
Repurchases and sales of mortgages included above (except Export-Import Bank)						
	Repurchases	Sales	Repurchases	Sales	Repurchases	Sales
USDA: Commodity Credit Corporation.....	-----	-----	-----	301	-----	968
USDA: Farmers Home Administration.....	574	2,429	600	4,105	650	2,874
Housing and Urban Development.....	-----	211	-----	1,076	-----	338
Veterans Administration.....	-----	381	-----	603	-----	417
Other agencies.....	-----	11	-----	58	-----	16
Total.....	574	3,032	600	6,143	650	4,613

* Less than 0.5 million.

¹ Effective Jan. 1, 1973, rural electrification loans were converted from the regular REA program to insured loans under the Rural development insurance fund of the Farmers Home Administration, with total program increases of \$200 million each for 1973 and 1974.

² Mortgage purchases under the Tandem plan are intended for immediate resale. Only net amounts are included in main table.

³ These transactions (beginning Aug. 17, 1971) excluded from budget totals by statute.

the agency for resale as an insured loan to private investors. In some other programs, such as the direct loan program of the Veterans Administration, the primary delivery of credit assistance is through a guarantee program, but a direct loan alternative is provided in special cases where guaranteed private loans are unavailable. Finally, direct loan outlays are established when claims are paid under guarantee programs and the Government receives either the original loan or the loan collateral. The loans thus obtained are often either repaid or sold to other investors. Recoveries from liquidation of collateral obtained under defaulted loans are recorded as repayments, and losses thus established are written off.

Gross data on disbursements are adjusted to reflect writeoffs, forgiveness credits, and other noncash adjustments to loans outstanding, while repayments data are kept on a strictly cash basis. As a result, the net difference between disbursements and repayments in any year equals the change in the loans outstanding between the start and the end of the year (adjusted for any transfers of loan balances between accounts).

Net loan disbursements for all credit programs are identical to the outlays shown as "loans" in the "additions to Federal assets" category in Special Analysis D (table D-3).

Gross loan disbursements (adjusted)⁴ rise by \$0.8 billion in 1973, then drop by \$1.6 billion in 1974 to \$11.3 billion. Partly because of offsets from repayments and loan sales, net loan disbursements for the same periods decline—from \$2.7 billion in 1972, to net repayments of \$0.1 billion in 1973. Net disbursements in 1974 are \$0.9 billion. Offsets from loan sales are detailed at the bottom of table E-2. Most such sales are from direct loan portfolios related to guarantee programs.

OUTSTANDING DIRECT AND GUARANTEED LOANS

The outstanding principal amounts of direct and guaranteed loans provide useful dimensions of the scope of Federal credit assistance and lend perspective to its year-to-year growth (table E-3). By the end of 1974, direct loans outstanding will total \$51.0 billion and guaranteed loans outstanding will total \$196.6 billion. After deducting \$3.3 billion guaranteed loans held in government accounts, the 1974 yearend total of these two forms of credit is thus projected at \$244 billion.

Outstanding guaranteed loans are estimated to rise by \$20.0 billion in 1973 and by \$17.6 billion during 1974. The net increase in outstanding loans insured by the Federal Housing Administration (\$9.6 billion) accounts for 26% of the 1972-74 rise. Other anticipated major increases are for veterans housing guarantees (\$7.4 billion), insured loans of the Farmers Home Administration (\$4.9 billion), low-rent public housing guarantees (\$3.0 billion), education loan programs (\$2.8 billion), and small business loans (\$2.5 billion).

⁴ Noncash adjusting entries reduced gross loan disbursements by nearly \$323 million in 1972.

Table E-3. OUTSTANDING DIRECT LOANS, AND GUARANTEED AND INSURED LOANS FOR FEDERAL CREDIT PROGRAMS (in millions of dollars)

Agency or program	1972 actual		1973 estimate		1974 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
Funds appropriated to the President:						
International security assistance.....	795	348	1,039	443	1,283	458
International development assistance.....	9,975	462	10,489	605	10,878	908
Agriculture:						
Rural Electrification Administration ¹	6,160	-----	6,681	-----	6,974	-----
Farmers Home Administration.....	2,705	6,917	1,821	10,324	1,681	11,780
Commodity Credit Corporation.....	3,068	-----	2,734	301	2,114	969
Public Law 480 long-term export credits...	2,697	-----	3,299	-----	4,001	-----
Commerce:						
Economic development loans.....	433	29	463	31	475	-----
Maritime Administration.....	56	1,082	45	1,176	39	1,358
Financial and technical assistance.....	1	-----	6	30	19	50
Health, Education, and Welfare:						
Health programs.....	288	5	357	21	416	20
Education programs.....	2,318	3,839	2,639	5,116	2,684	6,608
Housing and Urban Development:						
Low-rent public housing.....	65	10,718	65	12,140	55	13,750
Federal Housing Administration.....	1,011	85,017	1,210	90,580	1,614	94,574
Government National Mortgage Association.....	5,056	-----	3,694	-----	3,335	-----
Community development loans.....	813	3,347	926	4,042	951	4,492
New communities fund.....	-----	124	-----	232	-----	356
Other mortgage credit.....	3,874	490	3,860	440	3,813	-----
Interior.....	216	-----	240	34	256	68
Transportation.....	57	124	135	358	195	1,448
Treasury Department.....	4,063	-----	3,831	-----	3,722	-----
General Services Administration.....	151	49	65	733	61	1,197
Veterans Administration:						
Housing loans and guarantees.....	2,243	42,002	1,771	45,835	1,513	49,380
Insurance policy loans.....	1,027	-----	1,033	-----	1,027	-----
District of Columbia.....	552	20	730	20	947	20
Emergency Loan Guarantee Board.....	-----	100	-----	160	-----	220
Export-Import Bank ²	-----	2,121	-----	2,700	-----	3,250
Federal Home Loan Bank Board.....	158	-----	142	-----	135	-----
Small Business Administration:						
Business and investment loans.....	1,359	2,009	1,436	3,095	1,509	4,481
Disaster loans.....	628	5	934	5	909	5
Washington Metropolitan Area Transit Authority.....	-----	-----	-----	443	-----	777
Other agencies and programs.....	378	105	413	95	385	399
Total.....	50,149	158,913	50,062	178,957	50,991	196,566

MEMORANDUM

GNMA mortgage backed securities ³..... 6,800 10,790 15,561

¹ Effective Jan. 1, 1973, rural electrification loans were converted from the regular REA program to insured loans under the Rural development insurance fund of the Farmers Home Administration, with total program increases of \$200 million each for 1973 and 1974.

² Excluded from budget totals by statute on Aug. 17, 1971.

³ Excluded from totals to eliminate double counting with guarantees of underlying mortgages.

The amounts shown include both the guaranteed and nonguaranteed portions of outstanding loans in order to give a complete picture of the economic impact of these programs. The estimated Government's contingent liability for loan guarantees, by the end of 1974 will be \$26 billion less than the \$197 billion principal amount of the loans guaranteed.

INTEREST SUBSIDIES

The primary objective of many Federal credit programs is to provide access to credit that might not otherwise be available for certain desirable purposes. More favorable terms than otherwise available to unassisted borrowers—such as lower interest rates, longer maturities, and higher loan-to-value ratios—are a usual result of providing this access to credit, whether by direct or guaranteed lending.

Additional assistance in meeting the costs of credit is often a further feature of these programs. Such assistance includes concessionary interest rates, waiver of service fees or insurance premiums, and periodic payments of interest or other debt service subsidies for guaranteed loans.

This discussion focuses on interest subsidies and selected approaches to measuring both the immediate and long-run value of these subsidies. Additional subsidy elements—such as costs of administration and losses, forgiveness of part or all of loan principal, or the subsidies resulting from tax-exempt interest—are not fully covered or reflected.

Direct loan subsidies.—Because direct loans are largely or wholly repayable, generally with interest, the long run net costs of loan programs usually are substantially less than the initial gross outlays. Few direct loan programs are fully self-supporting, however. Although programs with statutory interest rate formulas tied to Treasury borrowing costs imply self-support, these are seldom designed to recover all costs—including administrative costs, adequate provision for risk or loss, or the discount required to provide a marketable yield if the loan is sold.

The net budget impact of interest concessions made to borrowers on direct loans for any single year includes the subsidy costs arising from both new loans and outstanding loans made in previous years. By the same token, all new loan commitments at submarket interest rates will add to the net budget outlays for all future years during which the loan remains outstanding. Once newly subsidized loans are committed, the future costs are largely predetermined and the net subsidy costs become relatively uncontrollable.

Guaranteed loan subsidies.—In recent years, an increasing number of guaranteed loan programs have provided significant subsidies in order to help meet the needs of their borrowers. In some cases, guarantee fees or premiums cover part or most of administrative expenses and probable losses; for others, there are no such charges. In some programs, a Government agency makes a direct loan at interest rates below the market and resells the loan with its guarantee, either at a discount (which provides a marketable yield) or with a commitment to pay additional interest in periodic installments to the private purchasers of the loan.

Long-term contracts to provide debt service payments are the most frequently used subsidy device. These commitments sometimes cover both interest and principal amounts, but more often cover some designated share of the interest cost. This approach is being used for a growing variety of loan programs, including those for low- and moderate-income housing, student expenses for higher education, academic facilities and medical facilities.

Just as for direct loans, the net value of subsidies for guaranteed loans includes those arising from both new and outstanding loans. New subsidies add to net budget outlays in future years; and some meaningful measure of their ultimate net cost is needed to lend perspective to budget decisions.

Subsidy measurement.—One way that the impact of future subsidies could be viewed would be simply to total all future payments. However, because of interest, a dollar payable at some future date is not worth as much as a dollar paid out today. Said differently, a dollar payable in the future “costs” less, because a smaller amount invested today at interest would grow sufficiently to meet the obligation when due. Therefore, a simple total of future obligations would substantially overstate the true value. A better way to measure the ultimate value of the successive annual loan subsidies is in “present value” terms, in accordance with the recommendations of the President’s Commission on Budget Concepts. This is accomplished by capitalizing (or discounting) future subsidies at an appropriate interest (or discount) rate.

The selection of an appropriate interest rate might vary with analytical objectives. The choice for discounting both direct and guaranteed loans in this analysis is 8%—a rate approximately equivalent to the private market rate on guaranteed loans, if an allowance for guarantee costs is added.⁵ This selection (over a Treasury borrowing rate for instance) has the advantage of valuing direct loan assets near the price which they should bring if sold to private investors, and also more nearly measures the benefits provided to borrowers. Though the rate may technically overstate costs directly attributable to direct loans retained in Government accounts, it probably more nearly reflects the value to the public of using these resources for some alternative purposes.

Table E-4 provides estimates of subsidy values that will result from loan commitments made or to be made in the years 1972 through 1974. Both the annual subsidy rates and the discounted present value of all future subsidies are provided. However, the subsidies provided currently—on behalf of guaranteed or direct loans already outstanding—are not covered in this analysis. While the estimates are primarily illustrative rather than exact or comprehensive, they do facilitate year-to-year comparisons of new subsidy commitments.

Loan subsidies, annual basis.—Due to significant credit program changes in the 1974 budget, some of which also affect part of 1973, the *annual* subsidy values attributable to commitments for both direct and guaranteed loans will decline for the first time—from \$881

⁵ Although variations in the characteristics of individual loans or loan programs are usually translated into variations in market interest rates, the assumption of a uniform discount rate facilitates analysis.

Table E-4. ESTIMATED INTEREST SUBSIDY VALUES FOR MAJOR DIRECT AND GUARANTEED LOAN COMMITMENTS
(in millions of dollars)

Agency and program	Borrower loan terms ¹		Annual subsidy per \$100 million commitments ²	Commitments			Present value at 8% discount—future subsidies committed in—		
	Percent	Years		1972 actual	1973 est.	1974 est.	1972	1973	1974
DIRECT LOANS									
Funds appropriated to the President:									
International security assistance.....	6.0	10.0	1.2	330	350	447	28.0	29.7	37.9
International development assistance.....	2.5	40.0	4.4	610	600	640	323.0	317.7	338.9
Agriculture:									
Price support.....	³ 3.5	.8	5.0	2,681	1,885	2,286	101.0	71.0	47.8
CCC: Public Law 480.....	2.5	33.0	4.2	514	708	799	248.4	342.2	386.2
Farmers Home Administration.....	⁴ 2.1	29.2	4.3	379	82	11	182.1	39.4	5.3
Rural Electrification Administration ⁵	2.0	35.0	4.5	572	284	0	305.1	151.5	0
Health, Education, and Welfare:									
Capital for student loans.....	⁶ 1.9	14.0	3.8	339	347	59	106.9	109.5	18.6
Higher education facilities.....	3.0	30.0	3.7	11	10	2	4.7	4.3	.9
Housing and Urban Development:									
Urban renewal.....	5.4	.8	3.0	590	687	0	12.5	14.5	0
Low-rent public housing.....	0	1.5	4.3	166	88	15	10.1	5.3	.9
College housing.....	3.0	40.0	4.0	97	0	0	47.1	0	0
FHA fund.....	5.6	20.0	1.7	217	199	404	36.8	33.7	68.4
VA: Insurance policy loans.....	5.0	10.0	1.8	126	124	117	15.9	15.6	14.7
Export-Import Bank ⁷	6.0	6.0	1.2	3,285	6,400	7,500	179.7	350.1	410.3
Small Business Administration:									
Business and investment fund.....	5.7	12.5	1.5	232	225	235	27.0	26.2	27.4
Disaster loan fund.....	1.0	4.0	3.7	133	544	14	17.0	69.5	1.8
Total, major subsidized direct loan commitments.....							1,645.2	1,580.2	1,359.0

GUARANTEED LOANS

Agriculture:									
Rural development insurance.....	5.0	40.0	2.6	0	724	1,358	0	221.9	416.2
Rural housing insurance.....	4.5	25.0	2.6	1,605	1,776	623	449.1	496.9	174.3
Agricultural credit insurance.....	5.0	25.0	2.2	751	1,095	844	182.2	265.6	204.7
Health, Education, and Welfare:									
Student loan insurance.....	⁶ 4.4	10.0	2.2	1,309	1,502	1,671	197.9	227.0	252.6
Higher education facilities.....	6.9	28.7	.9	515	200	0	49.7	19.3	0
Housing and Urban Development:									
Urban renewal.....	2.8	.8	6.0	1,398	1,928	0	59.2	81.7	0
Low-rent public housing.....		41.5	5.9	2,071	788	137	1,470.0	559.3	97.2
College housing.....	3.0	31.0	3.8	203	0	0	87.8	0	0
Mortgage insurance (subsidized).....	2.0	34.0	4.5	5,501	2,612	0	2,896.0	1,375.1	0
Export-Import Bank: Portfolio sales ⁷	6.0	3.5	1.1	239	50	0	8.0	1.7	0
Total, major subsidized and guaranteed loan commitments.....							5,399.9	3,248.6	1,145.1
Grand total.....							7,045.1	4,828.8	2,504.1

¹ If terms vary, these are estimated averages.

² Based on 8% value of funds.

³ Rate is 5.5% for 1974.

⁴ Various interest rates and maturities.

⁵ Effective Jan. 1, 1973, rural electrification loans were converted from the regular REA program to insured loans under the Rural development insurance fund of the Farmers Home Administration, with total program increases of \$200 million each for 1973 and 1974.

⁶ Zero interest rate applies only while student is in school plus 9 months; rate thereafter is 3% on direct loans, 7% on guaranteed loans.

⁷ Excluded from budget totals by statute, Aug. 17, 1971.

million for 1972 commitments to \$718 million for 1973 commitments, and \$394 million for 1974 commitments. These program changes are detailed elsewhere in the budget, but include: interest rate increases for commodity loans; rural electrification and telephone credit which are converted from direct to guaranteed loans under the new rural development program at less subsidized interest rates; and suspension or cancellation of some programs for housing, hospital construction, and commodity storage facilities.

Loan subsidies, present-value basis.—The annual subsidy costs of \$881 million for 1972 commitments imply total future subsidy costs of \$19.8 billion over the life of the loans. However, after discounting, the present value of these continuing annual subsidies is estimated at \$7.0 billion. For 1973 commitments, the present value will be \$4.8 billion and for 1974 commitments will be \$2.5 billion. In all, the 1974 budget changes will save \$13.6 billion of future subsidy costs resulting from 1972 commitment levels. In present-value terms, this saving is \$4.5 billion.

CREDIT AGENCIES OUTSIDE THE BUDGET

The transactions of several major federally sponsored credit agencies, created to facilitate financing of important programs of national interest, are excluded from Federal budget totals. The majority of these agencies are privately owned and managed. All, however, are subject to some form of Federal supervision, and all consult the Treasury Department, either by law or by custom, in planning the marketing of their obligations.

All of these agencies are essentially financial intermediaries, channeling funds from one sector of the capital markets to another. They borrow, under Federal auspices, in the "agency sector" of the bond markets, and lend these funds—for specifically authorized purposes—either directly or by purchasing loans originated by their special clientele.⁶

Some of these agencies began as secondary market operations, or as facilities providing advances of reserves to financial institutions. They had a basic function of providing liquidity to primary lenders in times of tight money conditions, either by buying their loans or making advances. These loans were then sold or repaid when capital market conditions improved. However, in recent years, those institutions have converted their roles almost solely to raising new capital funds for their constituents.

Funds loaned by these agencies are not obtained entirely from borrowings in the capital markets. Sale of capital stock and retained earnings also provide some resources for lending. Moreover, the timing of borrowing versus lending will vary from year to year. Table E-5 shows both the lending and borrowing sides of these credit activities.

The home loan banks and the three farm credit systems identified in table E-5 are actually systems of regional institutions which pool their borrowings to gain increased inefficiency.

⁶ The program of the Government National Mortgage Association (a budget agency in HUD) to guarantee mortgage-backed securities achieves a very similar "intermediation" result. Discussion of this device appears on page 72.

Table E-5. NET CREDIT EXTENDED, NET FUNDS RAISED BY BORROWING, BY MAJOR CREDIT AGENCIES OUTSIDE THE BUDGET
(in millions of dollars)

	1972 actual	1973 estimate	1974 estimate	Out- standing end of 1974 estimate
LENDING				
Student Loan Marketing Association.....			(1)	(1)
Federal National Mortgage Association ²	3,050	3,682	3,354	25,660
Environmental Financing Authority.....			300	300
Export-Import Bank ³	249	1,741	1,617	9,314
Farm Credit System:				
Banks for cooperatives.....	25	197	185	2,443
Federal intermediate credit banks.....	471	705	820	7,905
Federal land banks.....	851	878	936	10,245
Federal Home Loan Bank Board:				
Federal home loan banks.....	-1,167	2,726	3,500	12,300
Federal Home Loan Mortgage Corp.....	886	795	1,495	3,645
Total lending⁴.....	4,365	10,724	12,207	71,812
BORROWING				
Student Loan Marketing Association.....			(1)	(1)
Federal National Mortgage Association.....	3,536	3,057	3,070	24,659
Farm Credit System:				
Banks for cooperatives.....	36	130	169	2,147
Federal intermediate credit banks.....	438	630	756	7,567
Federal land banks.....	773	831	856	9,290
Federal Home Loan Bank Board:				
Federal home loan banks.....	-820	2,502	3,268	11,979
Federal Home Loan Mortgage Corporation.....	1,000	475	1,500	3,590
Total non-Federal borrowing.....	4,963	7,625	9,619	59,232
Borrowing reflected in Federal debt:				
Environmental Financing Authority.....			300	300
Export-Import Bank:				
From the public.....	196	1,545	1,380	4,744
Government equity.....	89	200	249	4,655
Total borrowing.....	5,248	9,370	11,548	68,931

¹ Student Loan Marketing Association, established by Public Law 92-318, is expected to become operational in 1974.

² Loans purchased at discount are recorded at acquisition cost.

³ Excluded from budget totals by statute on August 17, 1971 with loans outstanding of \$5,707 million and debt outstanding of \$1,623 million, and government equity of \$4,117 million. Although lending is excluded from budget totals, outstanding debt is included in Federal debt totals.

⁴ Federal reserve banks' loans to member banks are excluded from these totals; loans outstanding as of June 30, 1972 amounted to \$204 million. A decrease of \$304 million: Estimates not available for other years.

One newly authorized enterprise, the Student Loan Marketing Association, is expected to begin purchasing guaranteed student loans in 1974, but as yet has no operating budget.

Last year the federally owned Export-Import Bank was removed from the budget totals by legislation. This year, a newly enacted Environmental Financing Authority joins the list of special credit agencies, and will provide a "conduit" to the private credit market for local governments who find it difficult to obtain the financing

needed to meet Federal waste treatment standards. While the transactions of these two agencies are not included in budget totals, their borrowings *are* included in Federal debt as reflected in Special Analysis C.

These credit agencies as a group will increase 1972-74 lending by \$22.9 billion, investing \$8.4 of this in federally guaranteed loans.

SUMMARY OF FEDERAL AND FEDERALLY ASSISTED CREDIT

The Federal role in the credit markets affects both the supply of and the demand for credit. Both of these credit impacts can be aggregated, provided adjustments are made to exclude double counting where guaranteed loans as well as Federal and agency debt instruments are in fact held directly in Government accounts or by off-budget credit enterprises.

Table E-6 shows the net new loan *funds advanced* to the public, either directly from Federal budget accounts or through the Federal assistance provided by Federal guarantees of private lending or through the lending of federally sponsored agencies. Total lending under Federal auspices is expected to reach \$287 billion in 1974, a 2-year increase of \$55 billion and 24% over the 1972 level of \$232 billion.

A complementary aggregate of Federal and federally assisted borrowing—the *funds raised* under Federal auspices appears in Special Analysis C, Borrowing, Debt, and Investment (table C-9).

Table E-6. NET CREDIT ADVANCED TO THE PUBLIC UNDER FEDERAL AUSPICES (in billions of dollars)

Type of credit assistance	1972 actual	1973 estimate	1974 estimate	Out- standing end of 1974 estimate
Direct loans ¹	2.7	-0.1	0.9	51.0
Guaranteed loans ¹	18.8	20.0	17.6	196.6
Less guaranteed loans held in direct loan portfolio:				
By GNMA.....	—*	-1.4	-.4	3.3
In portfolios of sponsored agencies:				
By FNMA.....	3.2	3.8	3.4	26.4
By FHLMC.....	.8	.5	.6	2.3
By Export-Import Bank ²	-.1	-.1	-.1	.1
By EFA.....			.3	.3
Net guaranteed loans.....	14.9	17.2	13.8	164.1
Credit by sponsored agencies ¹	4.4	10.7	12.2	71.8
Total, Federal and federally assisted credit....	22.0	27.8	26.9	286.9

* Less than \$50 million.

¹ See tables E-2, E-3, and E-5.

² Excluded from budget totals by statute on Aug. 17, 1971.

PROPOSED LEGISLATION

Legislation will again be requested to establish the Federal Financing Bank to consolidate and improve the efficiency of financing Federal agency obligations. A proposal to provide loan guarantees for Indian small business and economic development will again be submitted. The Small Business Technology Investment Act to provide additional credit leverage for SBIC investments in R.&D oriented small businesses will be resubmitted.

NEWLY ENACTED CREDIT LEGISLATION

This summary lists legislation enacted during the last session of Congress which authorizes new Federal credit programs or revises existing programs in major respects. It excludes simple extensions in expiring laws and increases in funds for continuing programs.

DEPARTMENT OF AGRICULTURE

Rural Development Act of 1972—Public Law 92-419

Authorizes the Secretary of Agriculture to guarantee and insure loans for commercial, industrial, and community development. Interest rates for loans to communities, nonprofit associations, and Indian tribes are subsidized; others pay market interest rates. The act also authorizes the substitution of guaranteed and insured loans for direct loans, thereby increasing the roles of private lenders in rural development.

DEPARTMENT OF COMMERCE

Federal Ship Financing Act of 1972—Public Law 92-507

Authorizes the Secretary of Commerce to guarantee payment of principal and interest on any obligation which aids in financing construction, reconstruction or reconditioning of vessels designed principally for commercial and research purposes. Loans of up to 87½% of value may be guaranteed, with total authority of \$3 billion.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Education Amendments of 1972—Public Law 92-318

Establishes the Student Loan Marketing Association, a Government-sponsored private corporation, which will be financed by private capital and will serve as a secondary market and warehousing facility to provide increased liquidity for insured student loan investments. Federally reinsured loans insured by States or nonprofit private institutions, as well as federally insured loans, are eligible for coverage. The Association's obligations will be guaranteed by the Secretary of HEW.

DEPARTMENT OF TRANSPORTATION

National Capital Transportation Act of 1972—Public Law 92-349

Authorizes the Secretary of Transportation to guarantee payment of principal and interest on taxable bonds or other indebtedness of the Washington Metropolitan Area Transit Authority. Periodic payment of one-fourth of the net interest cost to the Authority is provided.

Emergency Rail Facilities Restoration Act of 1972—Public Law 92-591

Authorizes the Secretary of Transportation to make loans to railroads for the purpose of restoring or replacing railroad facilities, equipment, or services determined to be essential to public service, which were damaged or destroyed in the natural disasters during June of 1972. Also authorizes loans to assist regional, State and local public bodies in financing the restoration or replacement of railroad facilities or equipment damaged or destroyed as a result of the natural disasters of June 1972.

DEPARTMENT OF THE TREASURY

Federal Water Pollution Control Act Amendments of 1972—Public Law 92-500

Establishes the Environmental Financing Authority to assure that an inability to borrow funds on reasonable terms does not prevent a State or local public body from carrying out projects for construction of waste treatment facilities determined to be eligible for purposes of this act. The Authority is authorized to purchase any obligation or participation issued by a State or local public body to finance the non-Federal share of a construction project determined eligible under the Federal Water Pollution Control Act.

SMALL BUSINESS ADMINISTRATION

Small Business Investment Act Amendments of 1972—Public Law 92-595

Authorizes the Small Business Administration to invest in or guarantee debentures and purchase nonvoting preferred stock of small business investment companies, the investment policy of which is to invest solely in concerns operated by persons whose participation in the free enterprise system is hampered because of social or economic disadvantages. In addition, loans may be made to nonprofit organizations which employ handicapped individuals, equaling at least 75% of the total productive man-hours and/or assisting handicapped individuals in establishing, acquiring or operating a small business concern.

SMALL BUSINESS ADMINISTRATION AND DEPARTMENT OF AGRICULTURE

Amendments for disaster relief—Public Law 92-385

Authorizes the Small Business Administration and the Farmers Home Administration, with respect to disasters occurring between January 1, 1971, and July 1, 1973, to cancel up to \$5,000 of the principal of loans made and to reduce the interest rate on such loans. It further authorizes an increase in the period of suspension of principal and interest payments on such loans.

SPECIAL ANALYSIS F

PRINCIPAL FEDERAL STATISTICAL PROGRAMS

During the past several years, substantial increases in funding for statistical programs have been made to meet the pressing needs for more accurate and more prompt data for decisionmaking. However, owing to greater budgetary constraints in 1974, the requested increase in the total statistical budget is more moderate. The increases are on a highly selective basis, principally for social statistics programs where some deficiencies are quite marked, and for most urgently needed economic statistics. Moreover, a substantial part of the increases represents improvements proposed in the 1973 budget but now deferred until 1974.

Some shifting of funds from lower priority to higher priority statistical programs is also proposed to maximize the effectiveness of available resources. Top priority programs given major consideration are those to (1) extend and improve basic data required for the system of national accounts (defined broadly to include national income and product, input-output, balance of payments, flow of funds, and national sector balance sheets); (2) improve the accuracy and timeliness of current economic indicators; (3) to organize a set of social indicators within a framework for developing a system of social and demographic accounts; (4) to develop a more systematic and comprehensive program of State and local area data; and (5) to improve the usefulness of social, demographic, and economic statistics for program planning and monitoring.

The President's budget for current 1974 statistical programs provides for an increase over 1973 but one that is much smaller than the estimated increase for 1973 over actual funds for 1972, particularly in the case of economic statistics. Proposals for current 1974 programs total \$312.6 million, an increase of about 8% over the \$290.4 million for 1973, which, in turn, represented an increase of about 15% over the \$251.7 million allocation for 1972. When periodic statistical programs—chiefly censuses and the Consumer Price Index (CPI) revision program—are also taken into account, the estimated total for 1974 is \$344.4 million, or 5% over the \$328.9 million estimate for 1973. The latter estimate represents an increase of 16% over the actual total of \$284.0 million for 1972.

Of the \$312.6 million total in the budget for 1974, \$174.8 million or 56% is for economic statistics and \$137.8 million or 44% is for social statistics as shown in table F-1. Social statistics account for most of the total increase for 1974 over 1973 (\$14.2 million or 11%), principally for statistics related to health, education, crime, and new social security programs. The principal increases for economic statistics (\$8.0 million or 5%) are for improved price, wage, and productivity statistics compiled by the Bureau of Labor Statistics, retail sales and inventory data and the industrial directory project of the Census Bureau, and statistics related to the traffic safety program of the Department of Transportation. In addition, funding for State and county estimates of personal income and employment will be consolidated in the program of the Bureau of Economic Analysis.

Information by agencies, for both current and periodic programs, is shown in table F-2. When adjustments are made because of re-

organization of statistical units or activities, or the scope of the fields covered is changed, figures are carried back to both the current and previous years, so that all 3 years covered by the special analysis are on a comparable basis. An example of this kind of change is the shift in funding for statistics necessary for the revenue sharing program from the Treasury Department in 1973 to the Social and Economic Statistics Administration of the Commerce Department in 1974. This shift accounts for some of the apparent increase in budget figures for the latter between the 2 years.

Descriptions of major changes in program content and associated dollar figures included in the budget follow. It should be noted that the tables show budget totals which reflect both these changes and changes in costs of carrying out ongoing programs.

ECONOMIC STATISTICS

Labor statistics.—Labor statistics programs conducted by the Manpower Administration and the National Institutes of Health decrease in 1974. However, programs conducted by the Bureau of Labor Statistics will continue at about the levels approved by Congress in reviewing the 1973 budget requests, with allowances for increased costs. One significant undertaking is the development, as part of an integrated system of wage statistics, of an index of wage rate changes which will be unaffected by changes in the amount of overtime or part-time work or changes in industrial and occupational mix. Another is the extension of the monthly series on average weekly hours and earnings to cover nonproduction and supervisory workers in non-agricultural employment. Development of the latter will be speeded up (\$200 thousand) in 1974. Adoption of the revised Standard Industrial Classification, a process which will take several years, will help maintain the quality of employment and payroll records and statistics, as will the transition to the new Department of Labor computer system.

Table F-1. OBLIGATIONS FOR PRINCIPAL CURRENT STATISTICAL PROGRAMS, BY BROAD SUBJECT AREAS (dollars in millions)

	1972 actual	1973 est.	1974 est.	Percent change	
				1972-73	1973-74
Labor statistics.....	\$57.9	\$59.8	\$57.3	3.3	-4.2
Prices and price indexes.....	11.4	12.4	14.1	8.8	13.7
Production and distribution statistics.....	57.7	64.2	70.2	11.3	9.3
Construction and housing statistics.....	7.4	7.8	8.9	5.4	14.1
National income and business financial accounts.....	16.5	22.6	24.3	37.0	7.5
Subtotal for economic statistics.....	150.9	166.8	174.8	10.5	4.8
Health related statistics.....	45.3	51.0	58.8	12.6	15.3
Population statistics.....	3.2	5.5	4.3	71.9	-21.8
Educational statistics.....	15.4	15.5	18.7	.6	20.6
Crime statistics.....	8.2	17.0	18.5	107.3	8.8
Social security and welfare statistics.....	11.5	14.9	18.5	29.6	24.2
Environmental statistics.....	17.2	19.7	19.0	14.5	-3.6
Subtotal for demographic and social statistics.....	100.8	123.6	137.8	22.6	11.5
Total, principal current programs.....	251.7	290.4	312.6	15.4	7.6

Productivity studies will be strengthened (\$400 thousand) in many important service areas as well as in government and construction. However, a request for funds for two projects in the 1973 budget—special industry wage surveys and a test of weekly enumeration of the current population survey—is not included in the 1974 budget.

In line with the plans for reorganizing statistical activities in the Department of Labor, BLS now has technical responsibility for four statistical programs transferred from the Manpower Administration—reports of employment and wages covered by State unemployment insurance laws; estimates of State and local labor force, employment and unemployment; projections of manpower requirements for States and areas; and statistics on the characteristics of the insured unemployed. However, funds for these projects continue to be budgeted in the Manpower Administration for 1974. Occupational Safety and Health Administration (OSHA) funds for statistics were increased in the 1973 budget request and will be maintained at the 1973 levels during 1974.

During 1973, a reallocation of funds within the Statistical Reporting Service, Department of Agriculture, will permit an expansion of the quarterly farm employment and wage survey to an acceptable operational level. When this expansion is completed, State estimates will be prepared on a quarterly basis in 1974.

Prices and price indexes.—During 1974 work will continue on the major revision of the Consumer Price Index (CPI), described below under periodic programs. Monthly pricing for rent and direct pricing for used cars are being undertaken as a part of the general revision. Additional funding (\$400 thousand) is included to enable the Bureau of Labor Statistics to collect more monthly price quotations for nonfood commodity items not currently being priced monthly. Further progress will be made toward development of a General Price Index (\$460 thousand). An important input into this project will be improved wholesale price indexes, which increasingly will be based on transactions rather than list prices. Funding (\$300 thousand) is also provided for continuation of a multiyear program to develop export and import prices. Coverage of export prices will be raised to about 50% of the value of U.S. exports of commodities, and indexes will be developed for about 20% of all imports.

Production and distribution statistics.—Further progress will be made toward a fully operational industrial directory, which is intended to provide Federal statistical agencies with a frame for sample survey panels and a standard source of information on physical location, industry and size classifications, and company affiliation, for all U.S. business firms and their establishments. A major activity for this project in 1974 will be to extend the coverage of the Census Bureau's directory survey of multiunit companies to all industries in the private sector and to test procedures for deriving annual publishable benchmark data as a routine statistical byproduct of the directory program.

Research and pilot testing of improved methodology will be conducted (\$100 thousand) for collecting data on retail inventories, which

are known to be subject to substantial fluctuations but are difficult to measure more frequently than annually. Improvements in monthly wholesale and retail trade data funded in 1973 will be realized in 1974. With results from a pilot test of a new methodology for collecting data on capacity utilization now in the final stage of analysis, the groundwork has been laid for consolidation within the Social and Economic Statistics Administration of the diverse efforts to provide adequate measures of utilization.

A major program was initiated in 1973 to collect data on U.S. commodity imports valued inclusive of insurance and freight expenses. This program will collect value of import data using transaction values from the invoice document. Also, transfers between related companies will be examined to determine the extent to which these transaction values differ from those which would have occurred had they been with nonaffiliated companies. This program will satisfy both the balance of payments accounts needs and the needs of those who study trade patterns and the impact of imports on domestic markets.

Construction and housing statistics.—The Census Bureau in 1973 for the first time will be collecting data directly for the monthly value of multifamily residential construction put in place. Direct measurement of the monthly value of State and local government construction is expected in 1974. A program increase (\$200 thousand) will enable the Bureau in 1974 to begin direct measurement of the monthly value of new single-family construction. Increased funding (\$500 thousand) is provided for HUD to implement an annual housing survey, preparation for which will be completed in 1973. The survey will obtain information on the characteristics and utilization of housing units and their immediate surroundings, and the relation of these factors to characteristics of occupants.

National income and business financial accounts.—The Bureau of Economic Analysis received major increases in funding in 1973. Their impact on the accuracy of the GNP accounts will be felt both in 1973 and 1974. In addition, work has been proceeding to provide satisfactory monthly estimates of GNP or a substitute measure of general economic activity, such as gross domestic sales.

Closely related to further improvements in the GNP accounts through 1974 are allowances made in 1973 for improvements in the Quarterly Financial Report (QFR). The QFR, filed by corporations with the Federal Trade Commission, is being revised and its coverage expanded to some nonmanufacturing industries. A line of business form is being developed which will provide detailed data on the performance of QFR enterprises whose activities span several industries. This survey will elucidate the sales and profits figures which have been difficult to interpret for some industries because of consolidated QFR reporting of conglomerates.

The program to estimate industrial and non-Federal Government expenditures for pollution control and abatement will move from the pilot to operational phase in 1974 (\$560 thousand). These estimates will provide significant inputs into the measurement of the total cost of pollution abatement.

The 1974 budget for the Social and Economic Statistics Administration provides funds for the compilation of data required by the

Treasury Department for allocation of funds under the General Revenue Sharing program. In 1973 this statistical activity was funded by reimbursement from the Treasury Department to the Census Bureau. Key data elements which will be provided are annual information on the tax revenues of States and local governmental units eligible for the program, updated population estimates for areas which will be produced as part of the major mid-decade population statistics program (see description under periodic programs), and per capita income statistics.

DEMOGRAPHIC AND SOCIAL STATISTICS

Increases in various social statistics fields reflect some selective program expansions but also a postponement until 1974 of a number of activities originally planned for 1973.

Health-related statistics.—This sector continued to be by far the largest statistical activity in the social and demographic field. Statistical programs in high-priority areas such as cancer research will be expanded (about \$1 million) to complement substantive program expansions. An increase (\$4.8 million) in the budget for the National Center for Health Statistics is primarily for further implementation of the Federal-State cooperative statistical system initiated in the previous year, especially in the area of vital statistics. The National Center will also be supporting research and developmental aspects of the cooperative system formerly funded from other sources. Other major Center programs recently instituted will continue, such as the family growth survey which investigates family planning practices and expectations concerning family size; the National Ambulatory Care Survey, the first systematic canvass of care received in doctors' offices; and a new, more detailed study of nursing home care. Finally, an increase (\$2.8 million) in the budget for the Food and Drug Administration mainly reflects a newly required program for monitoring product safety, which was initially intended and budgeted for 1973 but now transferred into 1974. These increases are countered, in part, by reductions in various curtailed programs of the Health Services and Mental Health Administration and other health agencies.

Educational statistics.—An increase (\$3.2 million) in the budget for the National Center for Educational Statistics mainly reflects a postponement until 1974 of certain program expansions originally planned for 1973 but deferred and now budgeted for 1974. These include the first followup of an intended longitudinal survey of high-school seniors to chart their transition to post-secondary education and the work force, and an extension of the national assessment of educational progress, the first systematic national measurement of educational achievement in basic subjects at various grade levels.

Crime statistics.—An increase (\$1.5 million) mainly in the Law Enforcement Assistance Administration will permit extension of cooperative Federal-State statistical activities, including further development and implementation of the so-called crime transaction

statistics system. This system, when fully developed, will provide a comprehensive picture of the entire criminal justice process, charting each action starting with an arrest, through indictment, trial, incarceration, parole, etc. In addition, the principal recently installed program in this field—the continuing survey of households and business establishments to determine the extent of victimization by crime—will proceed on a full scale.

Social security and welfare statistics.—The most important development in this field for 1974 is related to the newly legislated supplementary security income program under which the Federal Government has assumed responsibility for certain adult assistance programs previously administered by the States. An increase of about \$5 million in the statistical budget for the Social Security Administration will provide support for the new programs. In addition to program operating statistics, major projects include a sample survey of the population to provide information concerning potential recipients of supplemental security income and the development and operation of a longitudinal data system to trace program recipients. These increases are offset in part by reduction elsewhere in other income maintenance and welfare statistics programs.

Population statistics.—No significant changes are contemplated in the current population statistics program but a major new mid-decade statistics effort described below under periodic programs will be underway. The latter will provide some of the population data used in the revenue sharing program—data which were compiled in 1973 as part of the current population statistics program. This shift accounts for the apparent reduction in the current population statistics program for 1974.

Environmental statistics.—This category, shown for the first time this year in the statistical budget, mainly covers measurements of air and water pollution, radiation control, and other programs of the Environmental Protection Agency. No material change in this program area will occur in fiscal 1974.

PERIODIC PROGRAMS

1972 Census of Governments.—The 1972 Census of Governments consists of four major phases, two of which (governmental organization and property values) will be completed during 1973. The employment and finance phases will be completed during 1974, with the bulk of the effort centering on development and review of tables, text preparation, and publication. Detailed revenue, expenditure, indebtedness and employment data will be published for all individual counties, all cities and New England type towns over 10,000 population and a large number of school and special districts. Additionally, national, State-by-State, SMSA and county area aggregates of finance and employment data will be published.

1972 economic censuses.—The 1974 request represents the fourth of a five-stage request for the censuses which will provide economic data for calendar year 1972. These censuses cover establishments

classified in retail, wholesale, and service trades, construction, transportation, manufactures, and mineral industries. The resulting statistics provide detailed industry and area information on product shipments, sales by merchandise or commodity line item, inventories, number of employees, man-hours worked, payroll costs, capital expenditures, and cost of materials, fuels and electric energy. Work planned for 1974 will consist of completing the collection of the report forms, precomputer processing, preparing computer tapes and the computer editing and tabulation of the data. Publications will be issued on a flow basis starting during the latter part of calendar year 1973.

1977 Census of Agriculture.—As the distinctions between agricultural and nonagricultural business have become more difficult to make, both because of enterprise diversification and the increasingly industrial nature of agricultural production, the rationale for integration between the census of agriculture and the other economic censuses has become more compelling. Although the degree of integration desirable has not yet been determined, the advantages of a common year for the censuses of manufacturing, business services, trade and agriculture seem clearly desirable in order to have a common benchmark year useful in production indexes and in the construction of the national accounts. Postponement of the census of agriculture until 1977 will have the added advantage of allowing for a careful review of several aspects of the agricultural statistics program, including the definition of a farm and the methodology for providing current estimates of farm income and production. No additional appropriation is requested for 1974, but unobligated funds available from 1973 will enable the Census Bureau to begin work on the transition to the new system and scheduling. The Department of Agriculture, within allocations provided for the Economic Research Service and Statistical Reporting Service, will participate in the review process.

Mid-decade population statistics program.—With the conclusion of work for the 1970 Census of Population, the principal new effort in the demographic field in 1974 will be the initiation of planning and development for a large-scale mid-decade population statistics program. This program will cost approximately \$45 million over a period of several fiscal years, including about \$6 million in 1974, and will provide population estimates and characteristics for States and areas of 50,000 or more population. Maximum feasible use will be made of administrative records (Internal Revenue, Medicare, etc.) mainly to derive measures of population migration. The program envisions a limited size sample survey, approximately 1.5% of the population. Data derived through this process will also be one of the main ingredients in the allocation of funds under revenue sharing programs.

Revision of the Consumer Price Index.—The 1974 program, for which \$10.2 million is budgeted, will continue the decennial revision of this major price index to bring it in line with the purchasing patterns of consumers in the 1970's. Work in 1974, the fifth year of this revision program, will include the second half of the basic consumer expenditure survey, initiation of work necessary for the selection of outlets from which price data are to be obtained for the revised

index, and work on the selection and specification of items of goods and services to be priced. Research already started on refining index concepts and sampling procedures and development of data processing systems will be continued.

Table F-2. OBLIGATIONS FOR PRINCIPAL STATISTICAL PROGRAMS, BY AGENCY (in millions of dollars)

Agency	1972 actual	1973 estimate	1974 estimate
CURRENT PROGRAMS			
Department of Agriculture:			
• Agricultural Research Service.....	0.5	0.5	0.5
• Economic Research Service.....	4.7	4.9	5.1
• Statistical Reporting Service.....	21.0	22.6	22.8
Department of Commerce:			
• Domestic and International Business Administration.....	5.0	5.1	5.0
• Economic Development Administration.....	.7	.5	-----
• National Marine Fisheries Service.....	2.1	2.9	3.1
• Social and Economic Statistics Administration ¹	28.6	33.4	38.8
Department of Defense:			
• Corps of Engineers.....	1.3	1.5	1.5
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration:			
National Center for Health Statistics.....	16.1	18.0	22.8
• Other HSMHA.....	9.5	10.9	9.3
• Office of Education.....	15.4	15.5	18.7
• National Institutes of Health.....	15.1	15.5	15.3
• Food and Drug Administration.....	1.7	3.5	6.3
• Social and Rehabilitation Service.....	2.1	2.6	2.6
• Social Security Administration.....	13.6	15.6	21.7
• Department of Housing and Urban Development.....	2.4	2.8	3.3
Department of the Interior:			
• Bureau of Mines.....	3.9	3.9	3.9
• Bureau of Sport Fisheries and Wildlife.....	2.1	2.3	2.4
• Department of Justice.....	8.2	17.0	18.5
Department of Labor:			
Bureau of Labor Statistics.....	32.1	35.9	37.2
• Manpower Administration.....	16.0	16.3	15.2
• Employment Standards Administration.....	3.1	.5	.5
• Occupational Safety and Health Administration.....	3.3	4.8	4.8
Department of Transportation:			
• Office of the Secretary.....	.6	.3	.9
• Federal Highway Administration.....	3.6	3.8	3.8
• National Highway Traffic Safety Administration.....	2.8	3.4	6.8
Department of the Treasury:			
• Office of the Secretary.....	-----	2.8	-----
• Internal Revenue Service.....	8.7	11.2	10.9
• Bureau of Customs.....	.9	2.3	2.4
• Civil Aeronautics Board.....	1.1	1.3	1.4
• Environmental Protection Agency.....	17.2	19.7	19.0
• Federal Home Loan Bank Board.....	1.8	2.0	2.2
• Federal Power Commission.....	1.0	1.0	1.1
• Federal Trade Commission.....	.6	.9	1.0
• Interstate Commerce Commission.....	.9	.9	.9
• National Science Foundation.....	2.7	2.4	2.4
• Office of Economic Opportunity.....	.8	1.4	-----
• Securities and Exchange Commission.....	.5	.5	.5
Total current programs.....	251.7	290.4	312.6

• = Covers only funds for agency's statistical activities.

¹ Includes Bureau of the Census and Bureau of Economic Analysis.

Table F-2. OBLIGATIONS FOR PRINCIPAL STATISTICAL PROGRAMS, BY AGENCY (in millions of dollars)—Continued

Agency	1972 actual	1973 estimate	1974 estimate
PERIODIC PROGRAMS			
Department of Commerce: Social and Economic Statistics			
Administration:			
19th decennial census	22.7	15.4	-----
1972 Census of Governments	1.3	1.7	0.7
1972 economic censuses	4.1	11.2	12.7
Mid-decade (1975) population statistics program	-----	-----	6.2
1977 Census of Agriculture	-----	.4	.6
20th decennial census	-----	-----	.7
Rental of computer equipment	-----	-----	.7
Department of Labor: Bureau of Labor Statistics:			
Revision of Consumer Price Index	4.2	9.8	10.2
Total periodic programs	32.3	38.5	31.8
Total principal statistical programs	284.0	328.9	344.4

SPECIAL ANALYSIS G

CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

Since 1969, civilian employment in the executive branch has steadily declined. From January 1969 to June 30, 1972, total Federal civilian employment has been reduced by 178,545. Additional reductions of 94,300 positions are estimated by June 30, 1974.

The downward trend in civilian manpower requirements in the Department of Defense is leveling off. The advent of the All-Volunteer Armed Forces, and a civilianization program which replaces military manpower with lower cost civilian personnel will somewhat offset civilian personnel reductions elsewhere in the Defense Department. Demands for increased services in some segments of domestic agencies will result in internal shifts to provide additional personnel for some activities while retrenchments are being made elsewhere. For example, employment will be increased to provide for the recently broadened social security coverage, expanded veterans' health care, increased crime fighting, safety and environmental activities.

A basic objective of the Administration is to make the Federal system a leaner, more efficient and more responsive form of government. As a result of the Administration's continuing scrutiny of Federal employment and its efforts to achieve effective manpower utilization, a curtailment in the growth of the Federal work force has already been achieved. A major factor has been the continuing stress on absorption of unavoidable workload increases through improvements in employee productivity.

In his statement of December 11, 1972, the President reiterated his firm intention to hold down unnecessary Federal spending. In that context he announced the imposition of a temporary Government-wide freeze on the hiring of civilian employees. This action provides clear evidence that the Administration is not relaxing its efforts to contain and restrain the growth of the Federal work force.

FULL-TIME PERMANENT CIVILIAN EMPLOYMENT

The continued application of administrative controls over Federal employment and the presidentially announced reduction effort in August of 1971 decreased full-time permanent civilian employment, excluding the Postal Service, by 44,700 between June 30, 1971, and June 30, 1972. The onboard strength in the executive branch as of June 30, 1972, was 25,800 fewer than had been forecast a year ago in the 1973 budget.

Including the Postal Service, full-time permanent employment for June 1974 is estimated to be 4.4% lower than the June 1973 estimates of the 1973 budget. Full-time permanent employment levels are now estimated to be 2,484,700 for June 1973 and 2,438,600 for June 1974. The major components within these totals are: (1) The

Department of Defense (both civil and military functions) with 40.5%, (2) the Postal Service with 23.2%, and (3) the Veterans Administration with 7.0%. These three agencies account for 70.7%, or about seven of every 10 full-time permanent positions in the executive branch.

Table G-1 displays the projected changes in yearend full-time permanent employment.

Table G-1. SUMMARY OF FULL-TIME PERMANENT CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

Agency	As of June ¹				Change 1973-74
	1972 actual	1973 estimate		1974 estimate	
		In 1973 budget	Current		
Agriculture.....	82,511	83,400	83,400	78,800	-4,600
Commerce.....	28,412	29,700	28,200	28,400	200
Defense—military functions ²	1,009,562	1,005,800	980,000	956,000	-24,000
Defense—civil functions.....	30,585	31,300	32,400	30,800	-1,600
Health, Education, and Welfare ³	105,764	99,500	110,200	101,800	-8,400
Housing and Urban Development.....	15,200	16,000	15,800	13,900	-1,900
Interior.....	56,892	56,900	57,000	56,900	-100
Justice.....	45,446	46,300	47,200	47,100	-100
Labor.....	12,339	12,600	12,800	12,400	-400
State.....	22,699	22,800	23,200	23,400	200
Transportation.....	67,232	69,200	67,700	69,400	1,700
Treasury.....	95,728	99,200	103,000	104,000	1,000
Atomic Energy Commission.....	6,836	6,900	7,000	7,400	400
Environmental Protection Agency.....	7,835	8,500	8,900	9,200	300
General Services Administration.....	36,002	39,400	38,100	37,800	-300
National Aeronautics and Space Administration.....	27,428	26,800	26,800	25,000	-1,800
Veterans Administration.....	163,179	174,100	171,600	170,000	-1,600
Other agencies:					
Agency for International Development.....	11,719	11,800	10,800	9,900	-900
Civil Service Commission.....	5,260	6,000	6,000	6,000	-----
Selective Service System.....	5,791	6,100	5,700	3,900	-1,800
Small Business Administration.....	3,916	4,000	4,200	4,100	-100
Tennessee Valley Authority.....	14,001	14,000	14,000	14,000	-----
Panama Canal.....	13,777	14,000	14,000	14,000	-----
United States Information Agency.....	9,255	9,400	9,400	9,100	-300
Miscellaneous agencies.....	33,494	34,600	35,800	35,800	-----
Subtotal.....	1,910,863	1,928,300	1,913,200	1,869,100	-44,100
Allowance for contingencies ⁴	-----	5,000	2,000	5,000	3,000
Subtotal.....	1,910,863	1,933,300	1,915,200	1,874,100	-41,100
Postal Service.....	594,834	618,500	569,500	564,500	-5,000
Total.....	2,505,697	2,551,800	2,484,700	2,438,600	-46,100

¹ Excludes disadvantaged worker-trainees in the Public Service Careers program.

² Excludes increases for civilianization program of 5,000 in 1973 and 31,000 in 1974.

³ To maintain comparability, excludes increases of approximately 9,000 in 1973 and 15,000 in 1974 for preparation and transfer of adult welfare categories to the Federal Government under Public Law 92-603 (effective Jan. 1, 1974); does reflect phasedown of Public Health Service hospitals and transfer of Saint Elizabeths Hospital to the District of Columbia during 1974.

⁴ Subject to later distribution.

The trend of employment is downward in most major agencies. More significant reductions are:

(1) The Department of Defense—down by 25,600, overall.

(2) The Department of Health, Education, and Welfare—down by 8,400.

(3) The Postal Service—down by 5,000.

(4) The Department of Agriculture—down by 4,600.

(5) The Department of Housing and Urban Development—down by 1,900.

(6) The Selective Service System—down by 1,800.

The major upward changes occur in:

(1) The Treasury Department—up 1,000. Workload requirements are rising sharply for customs clearance (for both cargo and passengers), for disbursements (including the issuance and processing of checks), and for tax collection and audit (with an increasing number of tax returns).

(2) The Department of Transportation—up 1,700. Increased traffic on the Nation's airways and essential safety requirements account for most of the additional personnel.

The Executive Office of the President includes certain operating functions and a number of activities which provide direct staff expertise and support to the President and coordinate policy formulation. The President has directed that this group of activities set an example for the rest of the executive branch and be substantially thinned out. Accordingly, a reduction is planned in personnel assigned to the Executive Office of the President from the 4,250 provided in the 1973 budget to 1,686 in 1974, a reduction of 60%.

TOTAL FEDERAL PERSONNEL

Within the category of total Federal employment, full-time permanent employees will account for about 91% of all civilian employees in 1974—a proportion that has remained relatively constant for the past few years. The balance, 9%, is composed of part-time employees, intermittent employees (those employed on an irregular basis), and full-time temporary employees (those in positions occupied for less than a year). "Total Federal personnel" as used in table G-2 includes civilian employees of the legislative and judicial branches, the previously described civilian employees of the executive branch, and military personnel.

Table G-2. TOTAL FEDERAL GOVERNMENT EMPLOYMENT

Description	As of June		
	1972 actual	1973 estimate	1974 estimate
Civilian employment in the executive branch:			
Full-time permanent ^{1,2}	2,505,697	2,484,700	2,438,600
Other than full-time permanent ³	264,151	248,000	236,900
Military personnel on active duty:			
Department of Defense ^{4,5}	2,322,339	2,288,000	2,232,900
Department of Transportation (Coast Guard).....	37,909	37,700	37,200
Subtotal.....	5,130,096	5,058,400	4,945,600
Legislative and judicial personnel.....	41,931		
Total	5,172,027		

¹ Excludes disadvantaged worker-trainees in the Public Service Careers program.

² See footnotes 2 and 3, table G-1.

³ Excludes disadvantaged summer and part-time workers under the President's Youth Opportunity Campaign.

⁴ Excludes Reserve components.

⁵ Excludes decreases for civilianization program of 6,000 in 1973 and 37,000 in 1974.

PERSONNEL COMPENSATION AND BENEFITS

Direct compensation of the Federal work force includes such components as: Regular pay, Sunday and holiday pay, premium pay for overtime, differentials for night work and overseas duty, and flight and other hazardous duty pay. Related compensation in the form of personnel benefits includes the Government's share (as employer) of: Health insurance, Federal retirement and old-age survivors' and disability insurance, and similar payments. Some additional emoluments are: Uniform allowances (when paid in cash), cost-of-living and quarters allowances, and, in the case of military personnel, reenlistment bonuses, and allowances for subsistence.

Table G-3 highlights selected data on the Federal payroll and related costs.

Table G-3. PERSONNEL COMPENSATION AND BENEFITS (in millions of dollars)

Description	1972 actual	1973 estimate ¹	1974 estimate ^{1,2}
Civilian personnel costs: ³			
Direct compensation.....	31,564	32,600	25,300
Personnel benefits.....	4,224	4,700	4,600
Total.....	35,788	37,300	29,900
Military personnel costs: ⁴			
Direct compensation.....	17,203	17,300	16,900
Personnel benefits.....	4,181	4,300	4,100
Total.....	21,384	21,600	21,000

¹ Excludes costs of \$1.0 billion for 1973 and \$3.3 billion for 1974 for military and civilian pay raises effective in January 1973 and during 1974.

² Excludes \$8.2 billion for Postal Service pay, reflecting completion of conversion to independent status, consistent with the Postal Service Reorganization Act of 1970.

³ Excludes Members and officers of Congress.

⁴ Excludes Reserve components.

Obligations for civilian personnel compensation and benefits in 1974 are projected to be \$29.9 billion, excluding the Postal Service.

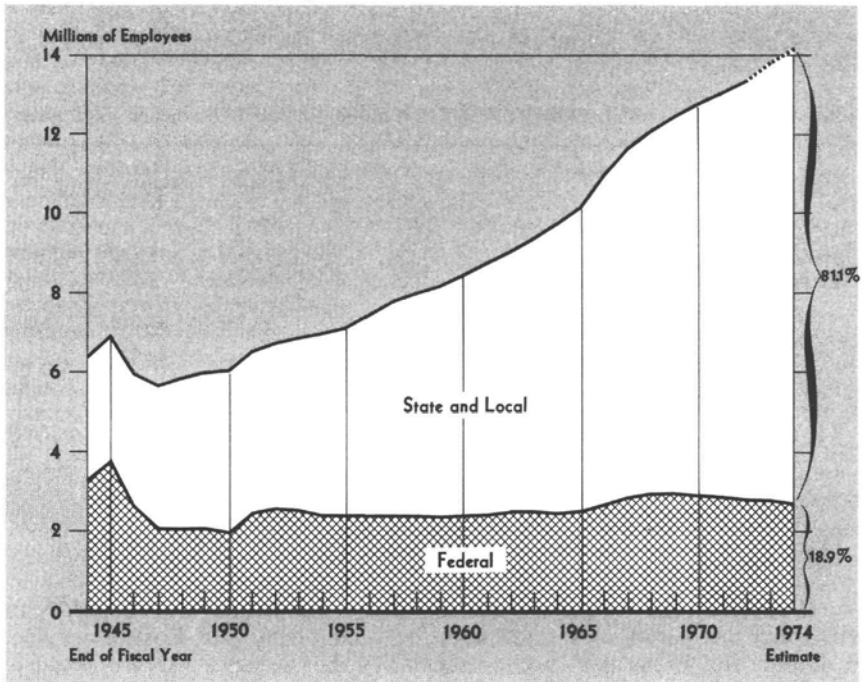
Under the Federal Pay Comparability Act salary rates for Federal employees under the "General Schedule" and most other statutory pay systems are adjusted periodically so as to achieve comparability with rates paid for the same work levels in private enterprise. The bases for these adjustments are appropriate annual surveys conducted on a nationwide basis by the Bureau of Labor Statistics. Consistent with the Economic Stabilization Act Amendments of 1971 and Pay Board guidelines limiting annual aggregate average increases to 5.5%, the pay adjustment for Federal workers that otherwise would have been made in October 1972, was delayed to January 1973. The costs for January 1973 civilian and military pay increases are covered by lump-sum allowances in the 1974 budget.

Legislation enacted August 19, 1972, provides a statutory basis for adjusting pay scales for Federal blue-collar workers. The Government pay scales for these workers were subject for many years to administrative adjustment. In conformance with past practices, the law requires that pay for blue-collar workers be set at levels corresponding to prevailing local private industry rates.

POPULATION AND GOVERNMENT EMPLOYMENT COMPARISONS

The proportion of Federal civilian employment to total employment of all governmental units (Federal, State, and local) has declined steadily since 1969. As table G-4 and the accompanying chart illustrate, this proportion is expected to reach approximately 18.9% in 1974.

Government Civilian Employment



When compared to the Nation's population, the ratio of Federal civilian employment has declined almost continuously for more than 20 years. This ratio is estimated to be 12.5 per thousand in 1974 (see table G-4).

The employment figures in table G-4 include temporary and part-time as well as full-time personnel.

Table G-4. GOVERNMENT EMPLOYMENT AND POPULATION, 1944-74

Fiscal year	Government employment				Population	
	Federal executive branch ¹ (thousands)	State and local governments (thousands)	All governmental units (thousands)	Federal as percent of all governmental units	Total United States (thousands)	Federal employment per 1,000 population
1944.....	3,304	3,092	6,396	51.7	138,916	23.8
1945.....	3,787	3,104	6,891	55.0	140,468	27.0
1946.....	2,666	3,305	5,971	44.6	141,936	18.8
1947.....	2,082	3,568	5,650	36.8	144,698	14.4
1948.....	2,044	3,776	5,820	35.1	147,208	13.9
1949.....	2,075	3,906	5,981	34.7	149,767	13.9
1950.....	1,934	4,078	6,012	32.2	152,271	12.7
1951.....	2,456	4,031	6,487	37.9	154,878	15.9
1952.....	2,574	4,134	6,708	38.4	157,533	16.3
1953.....	2,532	4,282	6,814	37.2	160,184	15.8
1954.....	2,382	4,552	6,934	34.4	163,026	14.6
1955.....	2,371	4,728	7,099	33.4	165,931	14.3
1956.....	2,372	5,064	7,436	31.9	168,903	14.0
1957.....	2,391	5,380	7,771	30.9	171,984	13.9
1958.....	2,355	5,630	7,985	29.5	174,882	13.5
1959.....	2,355	5,806	8,161	28.9	177,830	13.2
1960 ²	2,371	6,073	8,444	28.1	180,671	13.1
1961.....	2,407	6,295	8,702	27.7	183,691	13.1
1962.....	2,485	6,533	9,018	27.6	186,538	13.3
1963 ³	2,490	6,834	9,324	26.7	189,242	13.2
1964 ³	2,469	7,236	9,705	25.4	191,889	12.9
1965.....	2,496	7,683	10,179	24.5	194,303	12.8
1966.....	2,664	8,259	10,923	24.4	196,560	13.6
1967.....	2,877	8,730	11,607	24.8	198,712	14.5
1968.....	2,951	9,141	12,092	24.4	200,706	14.7
1969 ⁴	2,980	9,496	12,476	23.9	202,677	14.7
1970 ²	2,884	9,869	12,753	22.6	204,819	14.1
1971 ²	2,823	10,257	13,080	21.6	207,049	13.6
1972.....	2,770	10,652	13,422	20.6	209,837	13.3
1973 (est.)..	2,733	(⁵)	-----	19.8	211,563	12.9
1974 (est.)..	2,676	(⁵)	-----	18.9	213,335	12.5

¹ Covers total end-of-year employment in full-time permanent, temporary, part-time, and intermittent positions except for summer workers under the President's Youth Opportunity Campaign; merchant seamen on vessels under Federal shipping contracts; and beginning in 1970, excludes Public Service Careers program and disadvantaged worker-trainees and disadvantaged students employed part time.

² Includes temporary employees for the decennial census.

³ Excludes 7,411 project employees in 1963 and 406 project employees in 1964 for the public works acceleration program.

⁴ On Jan. 1, 1969, 42,000 civilian technicians of the Army and Air Force National Guard converted by law from State to Federal employment status. They are included in the Federal employment figures in this table after and including 1969.

⁵ An official projection of State and local government employment is not available. The percentages shown for these years are consistent with a range of reasonable estimates based on recent trends in population and State and local government activity.

PART 2

FEDERAL SOCIAL PROGRAMS

INTRODUCTION

Part 2 furnishes Government-wide program and financial information in six social program areas—education, manpower, health, income security, civil rights, and crime reduction. It includes the special analyses designated H through M.

The figures used in these analyses differ from the data shown under somewhat similarly titled categories of the functional classification used in Part 4 of the Budget and elsewhere. In the functional classification, each activity is categorized according to its major purpose; thus all the military spending of the Department of Defense falls into the functional category, *National defense*. In these special analyses, however, all spending for education, health, etc., is included, even if the activity has a different primary purpose. Thus the tabulations here are more comprehensive with regard to these particular types of social programs.

The Government's commitment of resources for these purposes is evidenced in the tabulation below. This is not a complete representation, however, since some resources also go into other social programs that are not explicitly covered by a special analysis in this volume.

FEDERAL OUTLAYS FOR SELECTED SOCIAL PROGRAMS, 1974

[In millions of dollars]

Description	Outlays		
	Civilian agencies	Department of Defense	All agencies
Special analysis:			
H. Education.....	12,551	1,298	13,849
I. Manpower.....	4,792	15	4,807
J. Health.....	26,978	3,345	30,323
K. Income security.....	110,167	5,538	115,705
L. Civil rights.....	3,150	67	3,217
M. Reduction of crime.....	2,599	-----	2,599
Subtotal.....	160,237	10,263	170,500
Deduction for duplications included above.....			-23,076
Total.....			147,424

Some activities of the Government serve more than one social purpose; for example, the Medicare and Medicaid programs may be considered as a part of both the Federal health and income security programs. An estimate of \$16,753 million for 1974 is included in both the health and income security categories. Thus, in adding the six categories to a total, a deduction must be made to avoid double counting.

SPECIAL ANALYSIS H

FEDERAL EDUCATION PROGRAMS

Federal expenditures for education-related programs will reach \$13.8 billion in 1974. These programs provide aid to States and localities, to institutions of higher education, and to students, and also include some direct Federal activities.

The organization and coverage of this analysis differ from preceding years. The amounts included are those which are directed toward supporting student-teacher relationships for the transmission of organized knowledge or the provision of services to the community at large aimed at expanding individuals' opportunities for professional or career advancement. (See Special Analysis Q for further details on Federal research and development programs.) The analysis is organized by Federal goal served, by level of education, and by the type and institutional conduit of support. The analysis this year covers all Federal programs which have the direct support of educational activities as a major purpose, or which involve the use of educational resources to achieve other purposes as in previous years. It excludes this year amounts for noneducational research conducted at academic institutions included in previous special analyses. These amounts are excluded because they do not fall within the purposes described above. For comparability with prior year analyses these amounts are shown at the bottom of table H-1.

OVERVIEW: 1974

Total Federal education outlays will reach an estimated \$13.8 billion in 1974, an increase of \$247 million over estimated 1973 outlays, and \$1.9 billion over 1972 outlays.

Outlays for programs directed toward national education goals are estimated for 1974 at \$7.3 billion, 9% above the estimated 1973 level. Outlays for elementary and secondary education will reach an estimated \$4.3 billion in 1974, 10% above their 1973 levels. Education special revenue sharing will account for 45% of this total.

Outlays for higher education student support programs in the Office of Education will reach an estimated \$1.3 billion in 1974, an increase of 18% above the 1973 level, and 36% above the 1972 level.

Substantial Federal expenditures for education are directed toward purposes which are not primarily education. The Federal Government invests in the education of specialized manpower for many activities, the largest of which is defense, the second largest, health. An estimated \$6.3 billion of outlays will be undertaken in 1974 which benefit or consist of education but are directed toward other basic purposes. The 1974 estimate is 6% lower than the 1973 level of \$6.7

billion. The largest components of this change are not made up of reduced benefits. They include: the proposed transfer of basic school lunch to education revenue sharing; the effects of decreases in GI bill workload by 1974; and a reduced number of public service jobs in schools as economic conditions improve.

An additional quarter billion dollars will be provided in the form of payments for education of Federal employees, or their children.

Table H-1. FEDERAL OUTLAYS FOR EDUCATION

Purpose and program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Federal outlays—national education goals:			
Education special revenue sharing.....			1,937
Educationally deprived children.....	1,570	1,500	411
Federally affected areas.....	649	468	131
Other elementary and secondary (OE).....	985	1,088	879
Basic opportunity grants.....			622
Other higher education student support (OE).....	933	1,070	646
Other higher education (OE).....	598	534	437
National Institute of Education.....		43	118
Student grants (OASDI).....	704	888	1,018
Office of Child Development.....	200	367	397
Other.....	693	743	688
Subtotal, national education goals.....	6,332	6,701	7,284
Federal outlays—education support for other basic purposes:			
Health manpower.....	793	892	889
Veterans readjustment.....	1,758	2,326	2,207
Defense.....	912	985	1,050
Child nutrition.....	1,213	1,473	1,273
Other.....	731	987	889
Subtotal, education support for other purposes.....	5,407	6,663	6,308
Federal outlays—salary supplements.....	202	237	257
Total, education outlays.....	11,941	13,601	13,849
Amounts previously carried for academic research not directed toward educational objectives.....	1,620	1,690	1,760

RENEWAL AND REFORM

The basic educational processes in the United States are the responsibility of the States and local communities. The Federal role is devoted to developing and encouraging improvements in the educational process through research, innovation and reform, and to extending and supporting educational opportunity.

To fulfill this role the Administration has adopted a program of renewal and reform in education which includes:

- Education special revenue sharing to replace approximately 30 narrow categorical grant programs with flexible funds to enable State and local officials to make decisions on resource allocation.
- Full funding of basic educational opportunity grants in 1974 to increase higher education opportunities for 1½ million students.

- A National Institute of Education to focus research and experimentation in learning.
- Emergency school aid to help elementary and secondary schools in the process of desegregation.

Revenue sharing.—Legislation will be resubmitted to initiate a special revenue sharing program for elementary and secondary education, with 1974 budget authority of \$2.8 billion. A total of \$1.9 billion of outlays will be provided in 1974 in addition to funds provided under 1973 authorities. However, the impact on State and local problems will be even greater than this amount indicates. The replacement of the narrow categorical grant-in-aid programs will allow spending priorities to be determined at the level of government closest to and most sensitive to problems and needs. It will allow States and localities to decide how best to meet those needs within those priorities. Also, funds previously required to match the categorical Federal grants will be freed for use under State and local direction.

Table H-2. OUTLAYS FOR EDUCATION SPECIAL REVENUE SHARING
(in thousands of dollars)

	1974 estimate
Outlays:	
Elementary and secondary education.....	1, 190, 639
Education for the handicapped.....	15, 759
School assistance in federally affected areas.....	192, 500
Vocational and adult education.....	238, 770
Subtotal (education).....	1, 692, 699
Basic school lunch program.....	244, 000
Combined total.....	1, 936, 699

Student assistance in higher education.—The goal of equal educational opportunity has the greatest funding priority in higher education. This commitment is reflected by the Administration proposal to fully fund basic educational opportunity grants in 1974 at almost \$1 billion to ensure that no qualified student will be denied a college education for lack of money.

Each student will be eligible for a grant of \$1,400 less whatever amount he and his family may reasonably be expected to contribute. The amount of the family and student contribution will be determined annually through a needs analysis system. Individual student grants will range from \$200 to \$1,400 and by law in no case may exceed one-half of the cost of the student's education.

More than 1.5 million needy students will be aided by the basic grants in 1974, which will be supplemented by the existing work study and loan programs. The college work study program will continue at a 1974 level of \$250 million, benefiting over 500,000 students per year. The guaranteed student loan program will be expanded to provide loans of more than \$1.6 billion to 1.5 million students, at a Federal cost of \$295 million. As the demand for loans is met by the expanded guaranteed loan program, the direct student loan program will decrease and provide \$160 million to 250,000 students, as repayments of previously loaned funds are used to make new loans.

National Institute of Education.—This new Institute (NIE) will develop and coordinate research strategies in education, and serve as a focal point for educational research and experimentation. This research will include learning for the disadvantaged, career education, educational technology, and experimental schools. Research results, positive and negative, will be disseminated to local educational authorities so that they can determine what will work best in their individual schools. In 1974 NIE outlays for educational research and development will be \$118 million.

OTHER PROGRAM DEVELOPMENTS

Health manpower.—A program of national health service scholarships will be initiated, under which health professions and nursing students could receive full scholarship assistance in return for equal periods of Federal service. (See Special Analysis J for further details on Federal health programs.)

GI bill.—The GI bill amendments, signed into law in October 1972, provide increased benefits to an expanded set of recipients. The legislation was designed to provide more funds for trainees to partially meet rising costs of education. The range of entitlements to wives and widows of servicemen killed or missing in action, and to war-orphaned dependents was broadened to equal program benefits available to the veteran.

Emergency school assistance.—This program, enacted in 1972, will provide aid to elementary and secondary schools and their faculties in the process of desegregation. The funds are available for grants directly to local education agencies, for special programs and projects, and for training.

College construction.—The shifting of higher educational priorities to emphasize equal educational opportunities for all qualified students is reflected in decreased support for college construction programs. No new funds will be requested for commitments in 1974 for college construction under Office of Education programs or for college housing under Department of Housing and Urban Development programs.

NATIONAL EDUCATION GOALS

National education purposes are estimated to account for \$7.3 billion of educational expenditures in 1974. Of this total, over \$4.3 billion, or 59%, will be spent at the elementary and secondary education levels. Higher education will benefit from \$2.6 billion or an additional 36%. The remainder is directed toward adult and continuing education, public libraries, research, and some cultural activities.

Most Federal expenditures for education at the elementary and secondary school levels are provided through the activities of the Office of Education. In 1974 Office of Education programs account for \$3.4 billion or 79% of the total level of \$4.3 billion. In 1974, under Administration proposals, \$1.7 billion of Office of Education programs are covered in the education special revenue sharing program. Most of the remaining outlays under these programs represent a spendout of previously appropriated funds.

Table H-3. FEDERAL OUTLAYS FOR NATIONAL EDUCATION GOALS BY LEVEL

Level and program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Elementary and secondary:			
Education special revenue sharing			1,937
Educationally deprived children (ESEA)	1,570	1,500	411
Supplementary services, State plans (ESEA)	103	122	68
Other ESEA	124	171	123
Federally affected areas	649	468	131
Emergency school assistance, general grants		16	149
Other ESA	92	56	55
Educational development	209	232	166
Education for the handicapped	93	114	90
Occupational and vocational education	289	300	168
Office of Child Development	189	349	379
Student grants (OASDI)	183	229	260
Bureau of Indian Affairs	139	155	154
Other	152	178	195
Subtotal, elementary and secondary	3,792	3,890	4,286
Higher education:			
Basic opportunity grants			622
Work-study and supplementary grants	418	475	265
Guaranteed student loans	228	289	352
Direct student loans	287	306	29
Student grants (OASDI)	521	659	758
Construction loans and grants	252	156	138
Disadvantaged students and developing institutions	80	103	148
Occupational and vocational education	132	142	84
Special institutions	56	76	74
National Science Foundation	66	41	32
College teacher fellowships	54	27	20
Other	92	128	102
Subtotal, higher education	2,186	2,402	2,624
Adult and continuing education:			
Occupational and adult education (OE)	83	93	56
Public libraries (OE)	58	53	19
Library of Congress	55	63	68
National Foundation on the Arts and the Humanities	9	17	43
Corporation for Public Broadcasting	8	8	11
Other	18	30	31
Subtotal, adult and continuing education	233	264	228
Other:			
Office of Education salaries and expenses	78	96	93
Smithsonian Institution	25	30	34
Other	19	20	19
Subtotal, other	122	146	146
Total	6,332	6,701	7,284

Under programs in other agencies, an estimated \$928 million will be spent in 1974 for elementary and secondary education. Office of Child Development activities account for \$379 million, mostly in the

Head Start program. Under the social security system (OASDI), children between the ages of 18 and 22 will continue to receive benefits if they are students. These funds are a legal entitlement of the recipient student and will be paid directly to the student on his request. In 1974 an estimated \$260 million of social security payments will be made to high school students.

The Federal Government additionally aids or directly provides education for certain groups such as Indians, Cuban refugees, and residents of Pacific territories. The National Science Foundation and the National Foundation on the Arts and Humanities also have activities at the elementary and secondary school levels.

An estimated \$2.6 billion will be spent in 1974 for higher education, an increase of 7% over estimated 1973 levels. Expenditure for higher education will be one-third of total expenditures for education goals. The Office of Education will provide \$1.7 billion out of the \$2.6 billion total.

Student support accounts for the majority of the funds for educational purposes at this level. In 1972, Office of Education student support programs (work-study and supplementary grants, guaranteed student loans, and direct student loans) constituted 43% of the total, \$933 million. In 1974, under Administration proposals, Office of Education student support expenditures will reach \$1,268 million, an increase of one-third over the 2-year period. Social security benefits to students at institutions of higher education will provide an additional \$758 million of student support in 1974, an increase of \$99 million over 1973 levels and \$237 million over 1972 levels. Funds for college construction loans and grants will fall to an estimated \$138 million in 1974, compared to \$252 million in 1972. The focus of aid in higher education will be shifted from institutional support to direct student support with the full funding of the basic opportunity grants.

Outlays in 1974 for adult and continuing education and other educational activities reflect to some extent the replacement of categorical grant programs by special revenue sharing. Various Federal activities such as the Library of Congress and the Smithsonian Institution are included in this category. The total outlays in 1974 for these activities are estimated at \$374 million, a decline of \$36 million from 1973.

EDUCATION SUPPORT FOR OTHER PURPOSES

Almost half of the expenditures for education are in programs directed to multiple purposes.

The largest single program in this category is veterans readjustment benefits (the GI bill). Veterans readjustment is a means of redressing postservice job and educational inequities. Expenditures reflect estimated utilization of program benefits by entitled veterans. These outlays are estimated to peak in 1973 at \$2.3 billion. This represents an increase of \$568 million over 1972 levels, a portion of which can be accounted for by recently enacted increases in GI bill benefits. In 1974, the 20% reduction in Armed Forces separations leads to a decreasing workload, and therefore a reduced estimate of expenditure.

School lunch, school breakfast, school milk, and other programs benefiting schoolchildren nutritionally accounted for \$1.2 billion in 1972. It is proposed that the basic school lunch program be folded into

education special revenue sharing, and therefore the separate estimate for child nutrition programs declines in 1974 to \$1.3 billion.

The GI bill and child nutrition programs will constitute an estimated 55% of outlays for noneducational purposes in 1974. Of the remaining programs, \$2.0 billion or 31% will be accounted for by manpower training for specialized purposes. The largest single purpose for training is defense. The Department of Defense trains personnel already in service, and trains future service personnel through the Reserve Officers Training Corps and in the service academies. These outlays are estimated to reach \$1.0 billion in 1974, an increase of 7% over estimated 1973 levels.

Table H-4. FEDERAL OUTLAYS FOR OTHER BASIC PURPOSES BY LEVEL

Level and program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Elementary and secondary:			
Child nutrition.....	1,213	1,473	1,273
Public service jobs in schools.....	112	227	128
Model cities.....	79	92	95
Other.....	78	151	187
Subtotal, elementary and secondary.....	1,482	1,943	1,683
Higher education:			
Veterans readjustment.....	1,436	1,927	1,819
Military service academies.....	208	209	208
Reserve Officers Training Corps.....	142	155	159
Health Services and Mental Health Administration.....	151	133	119
Health manpower (NIH).....	456	579	595
Other National Institutes of Health.....	177	169	165
Other.....	126	153	94
Subtotal, higher education.....	2,696	3,325	3,159
Adult and continuing education:			
Agriculture extension service.....	170	192	197
Veterans readjustment.....	305	361	352
Other.....	91	103	110
Subtotal, adult and continuing education.....	566	656	659
Training of Federal military employees:			
Defense.....	529	585	648
Coast Guard.....	16	18	15
Subtotal, training of Federal military employees.....	545	603	663
Other:			
International Development Assistance.....	56	66	65
Other.....	62	70	79
Subtotal, other.....	118	136	144
Total.....	5,407	6,663	6,308

An additional \$76 million in 1974 will be provided for training of specialized personnel in State, local, and private sector activities which are not military or health related. These include training for

the merchant marine, for law enforcement officers, for persons in various scientific fields, and for social workers.

SALARY SUPPLEMENTS

Salary supplements in the form of allowances or direct provision of education for Federal employees or for their dependents will reach an estimated one-quarter billion dollars in 1974. These supplements consist almost entirely of Defense Department expenditures for overseas dependents education and for off-duty education of military personnel. The two programs will account for \$240 million of outlays in 1974, an increase of \$19 million over their 1973 levels.

Table H-5. FEDERAL EDUCATION OUTLAYS FOR SALARY SUPPLEMENTS

Level and program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Total, salary supplements.....	202	237	257
Elementary and secondary.....	166	189	209
Higher education.....	1	1	1
Adult education.....	31	43	44
Other.....	3	3	3
Defense:			
Overseas dependents education.....	156	178	197
Off-duty military personnel.....	31	43	43
Canal zone dependents education.....	6	6	8
State: Dependents education.....	5	6	6
USIA: Training.....	3	3	3

EDUCATIONAL PERSONNEL TRAINING AND RESEARCH

Educational personnel training and research is funded under many programs already identified as directed to education goals. They account for a small part of total education expenditures by the Federal Government. Outlays for this purpose, in programs directed toward educational goals, are estimated to reach \$701 million in 1974, or 5% of all education-related expenditures.

Educational personnel training is a declining component of this total, estimated at \$249 million in 1974, compared to \$278 million for 1973. Outlays for educational research are estimated to rise rapidly, and will constitute an increasing portion of total educational expenditures. These outlays will reach an estimated \$452 million in 1974, an increase of 41% over their 1972 level.

Table H-6. FEDERAL OUTLAYS FOR PERSONNEL TRAINING AND RESEARCH IN EDUCATION

Program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Education personnel training:			
Educational development.....	118	140	115
Emergency school assistance.....	22	16	27
Education for the handicapped.....	25	35	29
College teacher fellowships (OE).....	54	27	20
Office of Child Development.....	11	18	18
National Science Foundation.....	26	16	10
Other.....	22	26	30
Subtotal, education personnel training.....	278	278	249
Educational research:			
Educational development.....	95	93	59
Elementary and secondary education act.....	100	153	130
Education for the handicapped.....	26	30	30
Occupational and adult education.....	39	44	39
National Institute of Education.....		43	118
National Foundation on the Arts and Humanities.....	9	13	22
National Science Foundation.....	44	23	30
Other.....	7	17	24
Subtotal, educational research.....	320	416	452
Total.....	598	692	701

The Office of Education funds most of the educational training and the National Institute of Education funds a significant part of educational research through a wide range of programs. The Office of Education will provide 77% of the money for personnel training in 1974; the National Institute of Education will provide 26% of the funds for research in 1974.

EDUCATIONAL LEVEL OF SUPPORT

Almost half of Federal funds for education are directed to elementary and secondary education. Of this total 69% are provided through programs with directly educational goals. Some 42% of funds go to higher education, but of these only 45% are in programs whose primary goal is education.

Table H-7. FEDERAL OUTLAYS FOR EDUCATION BY PURPOSE AND LEVEL

Level and purpose	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Elementary and secondary:			
Education.....	3,792	3,890	4,286
Other basic purposes.....	1,482	1,943	1,683
Salary supplements.....	166	189	209
Total, elementary and secondary.....	5,440	6,022	6,178
Higher education:			
Education.....	2,186	2,402	2,624
Other basic purposes.....	2,696	3,325	3,159
Salary supplements.....	1	1	1
Total, higher education.....	4,883	5,728	5,784
Adult and continuing education:			
Education.....	233	264	228
Other basic purposes.....	566	656	659
Salary supplements.....	31	43	44
Total, adult and continuing education.....	830	963	931
Other:			
Education.....	122	146	146
Other basic purposes.....	663	739	807
Salary supplements.....	3	3	3
Total, other.....	788	888	956
Total, outlays for education.....	11,941	13,601	13,849

Most of the support to elementary and secondary education reaches the educational process through grants to States and to local educational agencies. Special revenue sharing for education will remove the inefficiencies imposed by the narrow categorical grants.

Table H-8. FEDERAL OUTLAYS FOR ELEMENTARY AND SECONDARY EDUCATION BY SUBLEVEL AND TYPE OF SUPPORT

Sublevel and type of support	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Total, elementary and secondary.....	5,440	6,022	6,178
Early childhood.....	251	442	500
Elementary and secondary.....	5,021	5,350	3,563
Supporting services.....	168	230	178
Revenue sharing.....			1,937
Current operations.....	4,672	5,050	3,302
Facilities and equipment.....	99	121	77
Student support.....	210	278	306
Education personnel training.....	195	209	182
Educational research.....	264	364	375
Revenue sharing.....			1,937

The outlays in support of higher education are generally not channeled through a State or local government. Instead, grants or loans are made directly to the educational institution or go to the student who then chooses which institution to attend. Federal support to higher education is undergoing a transition from emphasis on institutional support to one on direct student assistance. In 1974 an estimated \$974 million or 18% of total outlays for higher education will be direct grants or subsidies on loans to students. \$1.45 billion are estimated to go to institutions for current operations or facilities and equipment. In comparison, in 1972 \$277 million, or 6% of the total subsidized loans directly available to students and \$1.39 billion went to institutions for current operation or capital outlays.

Table H-9. FEDERAL OUTLAYS FOR HIGHER EDUCATION BY TYPE OF INSTITUTION AND TYPE OF SUPPORT

Type of institution and support	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Total, higher education.....	4,883	5,728	5,784
2-year institutions.....	956	1,222	1,208
Other undergraduate.....	2,808	3,304	3,428
Graduate and professional.....	962	1,034	991
Postdoctoral and other.....	157	168	157
Current operations.....	902	1,084	1,155
Facilities and equipment.....	487	319	297
Student support.....	3,375	4,227	4,231
Education personnel training.....	67	46	47
Educational research.....	52	52	54

There is a shift also in the level of educational institution benefiting from Federal education expenditures. Outlays for 2-year and 4-year institutions will increase \$872 million from 1972 to 1974, almost entirely accounting for the increase in Federal outlays for higher education over the 2-year interval. \$3.4 billion, or more than half of higher education funds, are estimated to go to 4-year undergraduate institutions in 1974. Of the remainder, \$1.2 billion will go to 2-year institutions and \$1.0 billion to graduate and professional schools. Graduate and professional education will account for 17% of total higher education support in 1974.

STUDENT SUPPORT

About \$4.2 billion of student support will be available in 1974, 88% of which will be undergraduate student assistance. The GI bill will provide 44% of student assistance, divided between the undergraduate and graduate levels in the same proportion as the total. The Office of Education will provide another 30% or an estimated \$1.2 billion through various grant, loan, and work-study programs. Health manpower programs will provide approximately \$240 million directly to students in 1974.

The Office of Education estimates that 3.8 million student grants and loans will be made in 1974 under its programs. Students receiving

aid under more than one program account for at least one-third of this total. The number of students aided is estimated to increase about 40% from 1973 to 1974 after allowances for program overlap are taken into account.

Table H-10. STUDENT SUPPORT BY AGENCY: FEDERAL OUTLAYS AND NUMBERS OF STUDENTS

Agency	Outlays (millions)			Students (thousands)		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Undergraduate:						
Health, Education, and Welfare:						
Office of Education.....	881	1,010	1,227	2,295	2,322	3,787
Social Security Administration.....	521	659	758	431	469	517
Health agencies and other.....	46	76	37	52	49	41
Veterans Administration.....	1,247	1,683	1,592	1,061	1,098	1,075
Defense.....	88	98	98	52	47	48
Justice.....	23	32	-----	64	77	1
Other.....	8	10	10	8	7	7
Subtotal, undergraduate ¹	<u>2,814</u>	<u>3,569</u>	<u>3,722</u>	-----	-----	-----
Graduate:						
Health, Education, and Welfare:						
National Institutes of Health:						
Health.....	207	254	168	89	86	60
Office of Education.....	49	57	41	164	165	170
Other.....	70	66	51	17	17	13
Veterans Administration.....	190	245	227	174	171	166
National Science Foundation.....	30	20	14	3	2	1
Other.....	15	16	7	19	21	2
Subtotal, graduate ¹	<u>561</u>	<u>658</u>	<u>508</u>	-----	-----	-----
Total.....	3,375	4,227	4,231	-----	-----	-----

¹ Student totals not shown because some students receive awards under more than one program.

OUTLAYS BY EDUCATIONAL SUBLEVEL

In order to provide data in a form comparable with previous education special analyses the following tables are provided which display program and agency outlays by education sublevels in 1972, 1973, and 1974.

Table H-11. FEDERAL OUTLAYS FOR ELEMENTARY AND SECONDARY EDUCATION BY AGENCY

Sublevel, agency and program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Early childhood:			
Food and Nutrition Service.....	24	33	39
Head Start.....	189	349	378
Other.....	38	60	83
Subtotal, early childhood.....	251	442	500
Elementary and secondary:			
Food and Nutrition Service.....	1,189	1,439	1,234
Defense.....	177	205	224
Office of Education:			
Educationally deprived children.....	1,570	1,500	411
Other ESEA.....	104	113	54
Federally affected areas.....	649	468	131
Emergency school assistance, general grants.....		16	149
Other ESA.....	91	55	53
Educational development.....	189	209	142
Education for the handicapped.....	64	83	57
Occupational and vocational education.....	289	300	168
Student grants (OASDI).....	183	229	260
National Institute of Education.....		28	59
Bureau of Indian Affairs.....	134	148	147
Public service jobs in schools.....	112	227	128
Model cities.....	67	78	81
Veterans readjustment.....	17	38	36
National Science Foundation.....	40	22	26
Other.....	146	214	193
Subtotal, elementary and secondary.....	5,021	5,350	3,563
Supporting services:			
Office of Education:			
ESEA.....	121	171	125
Educational development.....	14	20	21
Education for the handicapped.....	22	23	22
Other.....	11	16	10
Subtotal, supporting services.....	168	230	178
Education special revenue sharing.....			1,937
Total.....	5,440	6,022	6,178

Table H-12. FEDERAL OUTLAYS FOR HIGHER EDUCATION BY AGENCY

Sublevel, agency and program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
2-year institutions:			
National Institutes of Health.....	24	61	55
Office of Education:			
Basic opportunity grants.....			137
Other student support.....	111	124	66
Occupational and vocational education.....	132	142	84
Other.....	54	40	45
Student grants (OASDI).....	56	71	80
Veterans readjustment.....	535	733	696
Other.....	44	51	45
Subtotal, 2-year institutions.....	956	1,222	1,208
Other undergraduate:			
Military service academies.....	208	209	208
Reserve officers training corps.....	142	155	159
Health manpower (NIH).....	49	77	65
Office of Education:			
Basic opportunity grants.....			485
Work-study and supplementary grants.....	326	370	199
Guaranteed student loans.....	207	263	320
Direct student loans.....	241	257	25
Construction loans and grants.....	169	109	93
Disadvantaged students and developing institutions.....	69	88	120
Other.....	50	65	44
Student grants (OASDI).....	465	589	678
Special institutions.....	18	21	19
Bureau of Indian Affairs.....	14	22	21
Community development (HUD).....	16	18	19
Veterans readjustment.....	712	950	896
National Foundation on the Arts and Humanities.....	9	15	25
National Science Foundation.....	31	17	13
Other.....	82	79	39
Subtotal, other undergraduate.....	2,807	3,304	3,428
Graduate and professional:			
Health Services and Mental Health Administration.....	89	81	74
Health manpower (NIH).....	358	396	439
Other National Institutes of Health.....	109	104	96
College teacher fellowships (OE).....	54	27	20
Other Office of Education.....	50	59	43
Social and Rehabilitation Service.....	26	30	17
Howard University.....	26	40	42
Veterans readjustment.....	190	245	227
National Science Foundation.....	33	23	17
Other.....	27	29	16
Subtotal, graduate and professional.....	962	1,034	991
Postdoctoral:			
Health Services and Mental Health Administration.....	43	36	32
National Institutes of Health.....	70	65	57
Other.....	6	10	10
Subtotal, postdoctoral.....	119	110	99
Other:			
Health Services and Mental Health Administration.....	13	11	9
National Institutes of Health.....	23	46	48
Other.....	2	1	1
Subtotal, other.....	38	58	58
Total.....	4,883	5,728	5,784

Table H-13. FEDERAL OUTLAYS FOR ADULT EDUCATION AND OTHER ACTIVITIES BY AGENCY

Sublevel, agency and program	Outlays (millions)		
	1972 actual	1973 estimate	1974 estimate
Adult basic and extension:			
Agriculture extension service.....	170	192	197
Office of Education.....	86	96	62
Veterans readjustment.....	305	361	352
Other.....	98	131	136
Subtotal, adult basic and extension.....	659	780	747
Public and national library services:			
Library of Congress.....	55	63	68
Library resources (OE).....	57	52	18
National Library of Medicine.....	23	24	24
Other.....	7	7	8
Subtotal, public and national library services.....	142	146	118
Other continuing education:			
Corporation for Public Broadcasting.....	8	8	11
National Foundation on Arts and Humanities.....	9	17	43
Other.....	12	12	12
Subtotal, other continuing education.....	29	37	66
Training of Federal, State, and local civilian employees:			
Justice.....	4	7	11
Other.....	16	19	21
Subtotal, training of public civilian employees.....	20	26	32
Training of Federal military employees:			
Defense.....	529	585	648
Coast Guard.....	16	18	15
Subtotal, training of Federal military employees.....	545	603	663
Foreign educational activities:			
Agency for International Development.....	56	66	65
Defense.....	7	4	4
State.....	38	43	48
Subtotal, foreign educational activities.....	101	113	117
Other:			
Office of Education, salaries and expenses.....	78	96	93
Other Office of Education.....	15	16	14
Smithsonian Institution.....	25	30	34
Other.....	4	4	3
Subtotal, other.....	122	146	144
Total.....	1,618	1,851	1,887

Table H-14. FEDERAL FUNDS FOR EDUCATION BY AGENCY

Agency	Outlays (millions)			Budget authority (millions) 1974
	1972 actual	1973 estimate	1974 estimate	
Legislative branch:				
Library of Congress.....	55	63	68	67
Funds appropriated to the President:				
International Development Assistance.....	56	66	65	65
Other.....	57	72	57	57
Agriculture.....	1,387	1,669	1,475	1,467
Commerce.....	11	11	12	12
Defense—Military.....	1,099	1,206	1,290	1,311
Defense—Civil.....	6	6	8	20
Health, Education, and Welfare:				
Office of Education.....	4,905	4,865	5,280	5,376
Other HEW.....	1,845	2,396	2,575	2,404
Housing and Urban Development.....	162	165	155	32
Interior.....	182	214	208	28
Justice.....	37	55	18	0
Labor.....	112	227	128	614
State.....	43	48	54	69
Transportation.....	19	21	19	10
Treasury.....	5	5	7	9
Atomic Energy Commission.....	10	11	8	8
Environmental Protection Agency.....	7	7	7	7
General Services Administration.....	3	3	3	3
National Aeronautics and Space Administration.....	6	3	3	3
Veterans Administration.....	1,758	2,326	2,207	2,212
Other Independent Agencies:				
Action.....	7	11	8	8
Corporation for Public Broadcasting.....	8	8	11	45
National Foundation on the Arts and Humanities.....	27	47	88	125
National Science Foundation.....	106	63	58	69
Smithsonian Institution.....	25	30	34	35
United States Information Agency.....	3	3	3	3
Total.....	11,941	13,601	13,849	13,645

SPECIAL ANALYSIS I
FEDERAL MANPOWER PROGRAMS
COVERAGE OF THIS ANALYSIS

“Manpower programs,” as that term is used in this analysis, are Federal programs intended to influence the quality and composition of the work force by increasing the skills and employment opportunities of individuals in the work force, or those who desire to be in it but who are vocationally unprepared or face other barriers to employment. Programs serving this objective provide skill training, transitional employment experience, job placement assistance, related child care, and social and health services. Manpower programs generally: (1) Operate outside the normal educational processes, (2) give services for periods of less than 1 year, (3) provide skill training and job opportunities for nonprofessional jobs, and (4) target on the disadvantaged sector of the population.

The analysis covers all programs classified as manpower training and employment services in the functional classification of the budget, and programs which are directed toward similar objectives but are included under other functional classifications such as income security, national defense, community development and housing, and veterans benefits and services. (See Part 4 of the Budget of the United States, 1974.) It excludes all professional training, and programs which are part of the normal educational process, such as vocational education. These programs are included in Special Analysis H, Federal education programs.

1974 BUDGET HIGHLIGHTS

In 1974, outlays for manpower programs will amount to \$4.8 billion, and account for approximately 1.9% of all Federal Government outlays. The decline of 10% from the 1973 total of \$5.3 billion is mainly due to the phaseout of the Emergency Employment Assistance (EEA) program, which has created transitional employment opportunities in 17,500 State and local governmental agencies. Since the program began, the number of private sector jobs has increased substantially, unemployment has declined, and the financial ability of State and local governments to meet the demand for public services has improved.

The primary emphasis in 1974 will be assisting State and local governments through manpower revenue sharing to influence the specific local labor market conditions existing within their jurisdictions. Federally directed manpower programs will concentrate on a limited set of high priority national objectives including veterans training and reemployment, employment of welfare recipients, and rehabilitation of physically and mentally disabled persons.

Table I-1. 1974 BUDGET HIGHLIGHTS¹ (in millions of dollars)

Program	Outlays				
	1970 actual	1971 actual	1972 actual	1973 est.	1974 est.
Manpower revenue sharing programs.....	1,056	1,356	1,638	1,382	1,164
Emergency employment assistance.....			559	1,088	574
Work incentive training.....	82	94	131	316	404
Veterans' programs.....	141	196	211	282	324
Employment service.....	325	347	338	388	401
Vocational rehabilitation.....	441	524	599	651	707
Social service training.....	50	73	93	113	120
Other training and placement programs...	172	250	301	354	339
Employment-related child care.....	158	186	320	517	582
Federal program direction, research and support.....	143	146	184	205	192
Total.....	2,568	3,173	4,374	5,296	4,807

¹ Due to differences in appropriation patterns, outlay adjustments have been made to show programs consistently. For example, WIN and EEA have been adjusted downward because Federal administrative costs and research funds are included in their budgets, unlike most manpower programs. Vocational rehabilitation is higher to reflect funds received from social security trust funds.

MAJOR PROGRAM CHANGES

Regarding manpower programs administered by the Department of Labor under the Economic Opportunity Act (EOA) and Manpower Development and Training Act (MDTA), efforts have been made in recent years to decentralize operational control, eliminate categorical program guidelines which prescribe mixes of services, and strengthen the capacity of State and local elected officials to plan comprehensive programs relevant to local labor market needs.

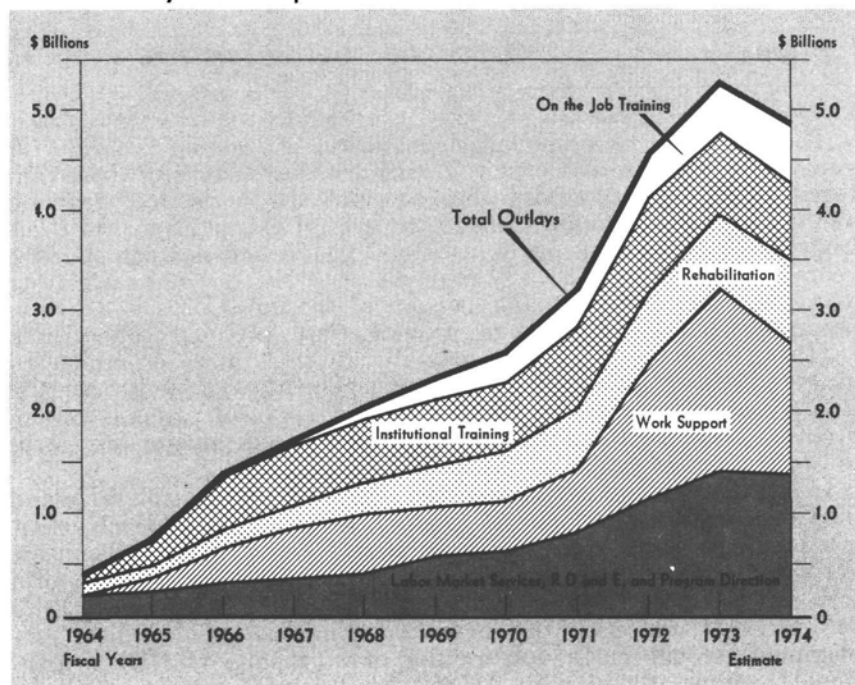
Beginning in 1974 and continuing into 1975, administrative requirements governing most manpower programs administered by the Department of Labor will be replaced by manpower revenue sharing under a renewal of existing law. At present, the Federal Government selects local sponsors to operate categorical manpower programs including MDTA Institutional Training, Operation Mainstream and the Neighborhood Youth Corps (NYC). Manpower revenue sharing will enable States and localities to group program services according to local needs and choose the organizations which will operate local projects. The transition will build on the Cooperative Area Manpower Planning System (CAMPS) committees, discussed in the section on "Program Direction and Support." The CAMPS committees will assist elected officials to identify community needs, determine new mixes of manpower services, and allocate available program resources. In 1974, approximately 75% of the manpower program funds available under the MDTA and EOA will be made available to the States and localities with the remaining 25% retained at the Federal level for programs requiring national supervision, and for research, demonstration, evaluation, labor market information, and technical assistance to support the decentralized program activities. This 25% will also fund the portion of the Job Corps which transcends community lines. Outlays for manpower revenue sharing activities, including the Federal portion, will be \$1.2 billion in 1974.

As mandated by the Social Security Amendments of 1971, all employable welfare recipients have been required to register for the Work Incentive (WIN) program beginning in July 1972. Those prepared for work are referred to jobs while others are enrolled in the WIN training or work support components. The total number of children enrolled in WIN child care services will be expanded 69% from 1972 to 1974 to accommodate the increased volume of participants. In 1973, it is estimated that 150,000 welfare recipients will be placed in jobs while 120,000 will be referred to training or work support. The comparable 1974 figures are 165,000 persons placed in jobs and 132,000 referred to training or work support.

MAJOR PROGRAM APPROACHES

The following discussion analyzes manpower programs on the basis of the various approaches used to prepare an individual for economic self-support. Under manpower revenue sharing the approaches may be combined in various ways to meet locally defined needs. Since States and localities will plan their own use of a large portion of Department of Labor manpower resources starting in 1974, the estimated distribution of resources among approaches is tentative for that year and the actual use of funds may vary substantially from the estimates. The 1974 estimates shown are based on preliminary indications of mayors' and governors' approach preferences outlined in their 1974 CAMPS recommendations.

Federal Outlays for Manpower Activities



Institutional training.—Institutional training concentrates on vocational skill instruction and remedial education conducted in a classroom setting. The largest of the institutional training programs was initiated by the MDTA in 1962 to alleviate the problem of skill obsolescence caused by automation. Over the past decade, the emphasis in MDTA Institutional has shifted from retraining technologically displaced skilled workers to upgrading the skills of unemployed persons with little work experience. A significant portion of costs, about 54% in 1972, have been for enrollee allowances, based on State unemployment insurance benefit rates.

Table I-2. INSTITUTIONAL TRAINING LEVELS

(outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Manpower revenue sharing:									
Manpower Development and Training Act institutional training.....	406	341	303	58	59	64	151	140	162
Concentrated employment program.....	64	52		19	14		43	35	
Job Corps (national program).....	188	177	111	23	19	17	49	49	38
Work incentive program.....	118	136	164	94	57	57	99	58	61
Social services training.....	93	113	120	195	225	240	601	691	692
Other.....	61	70	73	27	24	18	58	53	29
Total.....	930	889	771	416	398	396	1,000	1,027	981

The Job Corps is a specialized institutional training program for youth aged 16-21. Job Corps is distinguished by the highly disadvantaged characteristics of its enrollees and the variety of training methods which it employs. In 1972, 38% of the participants came from families receiving public assistance, 11% had not completed 8 years of education, and 75% were minority races. Unlike all other manpower programs, a major portion of the Job Corps is a live-in program which enables it to provide close personal supervision. In 1974, most of the Job Corps will continue to be administered by the Federal Government but management will be further decentralized to the regional offices of the Manpower Administration. Studies examining the possibility of further decentralizing Job Corps to the State and local level will be initiated in 1974.

Institutional training has been the largest component of WIN and the Concentrated Employment Program (CEP), both of which generally purchase training services from other community-based sources. WIN institutional training man-years will decline as a proportion of total WIN training and work support from the 1972 level of 90% to 45% in 1974, reflecting the increasing emphasis on immediate employment through on-the-job training or work support. CEP institutional training, along with MDTA institutional training, will be

included in the overall revenue sharing funds allocated to mayors and governors. The 1974 CAMPS plans suggest that institutional training will continue to constitute about one-fourth of the programs supported by Department of Labor manpower funds.

Social Services institutional training programs are operated by State welfare agencies to promote self-sufficiency among public assistance recipients who live in areas with no WIN program or where the demand for training exceeds WIN resources. Although training may be purchased for participants, the welfare agencies generally arrange for enrollees to receive services from community agencies such as the public vocational schools and the employment service, thereby maintaining a low cost per man-year, \$636 in 1972. Outlays for this program will increase to \$120.3 million in 1974, representing a 29% increase over the 1972 funding level.

Other institutional training, targeted on Indians, criminal offenders, and nonprofessional Federal employees, is supported by the Departments of the Interior, Justice, and Health, Education, and Welfare, respectively.

On-the-job training (OJT).—On-the-job training is provided by private sector and governmental employers who generally recruit and train low-skilled persons to fill regular job vacancies. The employers are reimbursed for the cost of training, remedial education, counseling, and supportive services. In 1974 outlays for on-the-job training will increase 29% over the 1972 levels, primarily as a result of expanded programs for two high priority target groups: welfare recipients and veterans.

Table I-3. ON-THE-JOB TRAINING LEVELS

(outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Manpower revenue sharing:									
Job opportunities in the business sector (optional).....	68	76	159	22	21	48	82	62	120
Public service careers.....	69	67		21	21		31	37	
Concentrated employment pro- gram.....	35	28		5	4		5	4	
Job opportunities in the business sector (basic).....	127	92	96	65	53	51	152	105	117
Work incentive program.....	4	71	97	5	35	45	6	38	56
On-the-job training for veterans...	124	174	203	94	99	97	68	67	69
Other.....	10	16	11	2	4	3	8	10	9
Total.....	437	524	566	214	237	245	352	323	371

The Department of Labor has funded three major OJT programs. The Job Opportunities in the Business Sector (JOBS) program, operated in conjunction with the National Alliance of Businessmen

(NAB), contracts with individual firms to hire and train disadvantaged workers. A related program, JOBS Optional, works on the same principle of assisting employers to first hire then train workers, but is directed toward a less disadvantaged clientele group which requires less intensive services. The Public Service Careers (PSC) program hires disadvantaged persons into regular positions in Federal, State and local government. Public service careers places considerable emphasis on reforming those civil service hiring practices which tend to discriminate against disadvantaged persons. The State and local components of PSC, along with JOBS optional and CEP OJT, will be included in the funds available for use by State and local governments in 1974 under manpower revenue sharing. The JOBS program, which involves mobilizing employers on a nationwide basis through NAB, will retain its national emphasis. The 1974 mayors' and governors' CAMPS plans indicates that OJT will probably increase slightly as a proportion of total Department of Labor manpower program resources.

On-the-job training will increase from 3% of WIN training outlays in 1972 to 27% in 1974 consistent with the effort to place public assistance recipients in jobs. Veterans OJT is provided by the Veterans Administration to former servicemen pursuing an approved course of full-time apprenticeship or other on-the-job training. Due to the rising number of eligible veterans, outlays for this program have almost doubled in the past 4 years, making it the largest OJT program in 1974.

Vocational rehabilitation.—Both the Federal-State Vocational Rehabilitation (VR) program administered by the Department of Health, Education, and Welfare and the vocational rehabilitation program for disabled veterans administered by the Veterans Administration focus on the rehabilitation of physically or mentally handicapped persons. In 1974, these programs will comprise about 17% of all Federal manpower outlays.

Table I-4. VOCATIONAL REHABILITATION LEVELS

(outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Vocational rehabilitation.....	599	651	707	645	706	757	497	533	560
Veterans vocational rehabilitation.	84	105	117	16	18	20	13	12	13
Total.....	683	756	824	661	724	777	510	546	573

Outlays for the Federal-State VR program, currently the largest single skill training program, will increase by 18% from 1972 to 1974. Under the VR program, clients are prepared for competitive employment, homemaking, or sheltered employment. State rehabilitation agencies determine client needs and purchase services on a case-by-case

basis. Heavy emphasis is given to assisting public assistance recipients, criminal offenders, narcotic addicts, and alcoholics.

The veterans vocational rehabilitation program provides similar services to persons with a service-connected disability. In addition to counseling, training, and subsistence allowances, veterans receive disability compensation, tuition, books, and fees.

Work support.—Work support provides public employment opportunities and remedial services for individuals with chronic employment handicaps as well as for persons temporarily unable to find regular employment. Postschool work support programs serve primarily persons with little opportunity for regular employment, and certain groups such as out-of-school youth and female household heads receiving public assistance.

In 1972, the Emergency Employment Assistance Act authorized a special program of public service work support to counter the high national rate of unemployment and the exceptionally high rates existing in certain impacted labor market areas. In 1972, 72% of the EEA enrollees were males, 43% were veterans, 36% were minority races, and 38% were disadvantaged. A wide variety of jobs, many leading to permanent, unsubsidized employment, were provided with about 23% in public works and transportation, 20% in education, and 12% in law enforcement.

In 1971, postschool work support outlays comprised 9% of the manpower total. This percentage increased to 21% in 1972, and is expected to reach 27% in 1973. Though most EEA contracts will expire by the middle of 1974, CAMPS plans for 1974 indicate that mayors and governors are likely to continue to support a substantial number of public employment work opportunities under manpower revenue sharing, where it can be combined with training and other services not possible under the limitations of the categorical emergency employment program.

Table I-5. **WORK SUPPORT** (outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served						
				Man-years			New enrollees			
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	
Manpower revenue sharing:										
Neighborhood youth corps in-school and summer.....	376	304		245	159		779	145		
Neighborhood youth corps out-of-school.....	125	103		40	28		65	60		
Operation mainstream.....	75	82	481	22	19	182	31	27		464
Concentrated employment program.....	59	48		10	8		21	19		
Public service careers.....	48	13		9	---		32	---		
Emergency employment assistance.....	559	1,088	574	87	155	82	231	97	14	
Work incentive program.....	9	70	102	10	20	23	16	24	27	
High school work-study.....	6	6	9	21	22	34	12	11	57	
Other.....	99	113	119	36	43	44	65	72	71	
Total.....	1,356	1,827	1,285	480	454	365	1,252	454	632	

Three permanent Department of Labor postschool work support programs will be subsumed under manpower revenue sharing: NYC out-of-school, Operation Mainstream (except for national contracts being phased down), and CEP work support. These programs tend to be long in duration, averaging about 7.0 months, and have a high average participant unit cost of \$2,490 of which 53% is wages.

In 1973, the WIN program began expansion of its work support component in line with the increasing emphasis on employment rather than classroom training. Man-years in WIN work support will increase 106% in 1973 and are expected to increase another 15% in 1974, making work support the largest WIN program component.

Work support for in-school youth is short in duration and concentrates on providing work experience which will ease the adjustment to regular adult employment. A primary objective of in-school work support is to provide income and motivation which will lower the school dropout rate of enrollees. Aside from the NYC in-school and summer programs, which will be included under manpower revenue sharing, other in-school work support programs are administered by the Department of Health, Education, and Welfare and the Civil Service Commission. These programs will continue at about their 1973 operating levels in 1974.

Labor market services.—Labor market services programs promote a smoothly operating labor market by matching job vacancies with qualified workers, by overcoming barriers created by job discrimination, and by providing needed child care services to permit parents to engage in training or employment. They develop and disseminate information on employer and employee needs, and counsel and test jobseekers. Other services include outreach to unemployed people, and job development and job restructuring efforts with employers.

Table I-6. LABOR MARKET SERVICES (in millions of dollars)

Program	Outlays				
	1970 actual	1971 actual	1972 actual	1973 est.	1974 est.
Employment service.....	325	347	338	388	401
Computerized job placement.....	6	23	32	36	25
Work incentive program.....	-----	-----	-----	39	41
Food stamp registration requirement.....	-----	-----	8	14	16
Project transition.....	14	15	13	14	15
Other.....	27	27	30	27	12
Subtotal, placement services.....	372	412	421	518	510
Equal employment opportunity activities.....	19	35	43	60	78
Total.....	391	447	464	578	588

Job placement assistance.—The Federal-State Employment Service (ES), with its network of 2,300 local offices and more than 30,000 employees, will provide services for about 10.6 million persons in 1974. While placement services are provided for the general labor force, special efforts are given to placement of the disadvantaged, including graduates of manpower programs.

Computerized job banks are currently functioning in nearly 100 major labor markets to assist in job placement efforts. The job banks provide comprehensive listings, updated daily, of available jobs. By 1974, many of the job banks will have been expanded into statewide systems. Job banks have also been used to assist unemployed scientists, engineers, and technicians through the technology mobilization and reemployment program and returning veterans enrolled in Project Transition.

As a part of the administration's six-point program to place unemployed veterans in jobs or training, Federal contractors must list their job openings with the employment service. In 1973, this requirement is expected to increase the number of employment opportunities listed by 20%. Since mandatory job listings were instituted in January 1972, the unemployment rate among veterans has decreased from 8.4% to 5.5%.

Placement services for food stamp and cash assistance recipients will be expanded in 1973 and 1974 consistent with recently enacted mandatory registration requirements. The WIN program will register an estimated 1.5 million cash assistance recipients in 1973 and place about 75,000 of these directly into jobs. Another 75,000 will be placed in jobs following WIN training.

In the Department of Defense, Project Transition provides counseling, testing, and job placement assistance to servicemen prior to discharge. Some skill training is provided by the Department of Labor.

Equal employment opportunities.—These activities attempt to reduce barriers to the employment of minorities, women, and older workers. By opening up needed job opportunities, they are critical to the success of other manpower programs.

The Equal Employment Opportunity Commission's (EEOC) authority to identify and eliminate discriminatory employment practices was expanded in 1972 with the enactment of the Equal Employment Opportunity Act. The most important feature of the broadened powers granted to the Commission is the authority to bring suit in U.S. District Court when efforts to conciliate complaints of employment discrimination are unsuccessful. In addition, the EEOC now has jurisdiction over a wider range of employers. Outlays will double from 1972 to 1974, rising from \$21 million to \$43 million, to fund the expanded activities of the Commission.

The Office of Federal Contract Compliance (OFCC) in the Department of Labor, in cooperation with the 17 major Federal contracting agencies, insures that affirmative action plans are undertaken by Federal contractors to provide equal employment opportunities for minorities and women. To increase minority employment in the construction trades, the OFCC devised the "Philadelphia plan" and voluntary "hometown" programs which set employment goals for federally financed construction contractors and subcontractors. Labor Department training funds have been utilized to foster the success of these efforts in 29 of the 58 city-wide construction plans.

Child care services.—Expanded day care services are being provided to permit parents to participate in employment or training activities and to assist low income families in caring for their children. Employment-related day care expenditures in 1974 will total \$582 million, an 82% increase over 1972.

Employment-related day care is provided through three programs—the WIN and social services programs for recipients of Aid to Families with Dependent Children (AFDC), and the Model Cities program. The latter will be replaced by urban community development revenue sharing in 1975. The social services program provides day care services directly and also supports child care through an income disregard to the AFDC payment. In addition, the AFDC social services program, along with Head Start provides nonemployment-related day care as a support service to low-income families.

Table I-7. FEDERAL SUPPORT FOR DAY CARE (outlays in millions of dollars children supported in thousands)

Program	Outlays				Children supported			
	1971 actual	1972 actual	1973 est.	1974 est.	1971 actual	1972 actual	1973 est.	1974 est.
Employment related:								
Work Incentive program	27	32	65	117	98	158	167	268
Social Services	89	204	358	360	170	367	641	590
Income disregard	62	71	80	90	388	433	466	504
Model Cities	9	12	14	14	21	25	29	30
Subtotal	186	320	517	582	677	983	1,303	1,392
Nonemployment related:								
Head Start (full day)	99	105	108	108	81	91	91	91
Aid to Families with Dependent Children	38	88	153	154	73	157	275	253
Subtotal	137	193	261	262	154	248	366	344
Total	324	513	778	844	831	1,231	1,669	1,736

Manpower research, development, and evaluation.—Under Manpower Revenue Sharing, Federal efforts will concentrate on providing information and technical assistance to States and local communities on methods to improve program performance. One important device for obtaining such information is research and development (R. & D.) and evaluation activities.

Table I-8 summarizes Federal resources for manpower R. & D. and evaluation efforts, primarily funded by the Department of Labor. In addition, other agencies carry out R. & D. activities affecting manpower, especially the Department of Health, Education, and Welfare and the Veterans Administration.

Research focuses primarily on distilling data on past program operations to extract information meaningful to manpower revenue sharing program planners and operators. The role of the Employment Service in the labor market and the relative effectiveness of its activities will also be subject to research studies.

Developmental activities will devise and test innovative manpower methods, including new forms of program linkages, to aid manpower revenue sharing sponsors. In addition, experimentation will continue to develop improved methods for service to clients by the Employment Service.

Evaluation activities seek to determine which programs work, to what extent, and under what conditions. Evaluation efforts generally focus on recently initiated programs or major program changes. The design and development of comprehensive manpower programming under manpower revenue sharing will include a strong evaluation component so that early feedback is available to guide individual sponsors and the overall implementation effort.

Program direction and support.—The effectiveness of individual programs depends on the degree to which they meet the needs of the people they enroll and the employers who hire them. As a part of the overall Administration effort to bring program planning and decision-making responsibility closer to the local level where perception of enrollee and employer need is clearest, several steps have been taken in recent years to decentralize the management of Federal programs. Greater authority was delegated to the regional manpower administrators, uniform regional boundaries were established to improve interdepartmental coordination of related programs, and regional offices were reorganized from a categorical program basis to a geographical area basis to provide a better appreciation of individual State and community manpower problems.

At the State and local level the interagency Cooperative Area Manpower Planning System (CAMPS) has been strongly emphasized as a vehicle for coordination of planning efforts by various manpower agencies. In addition, staffing grants were awarded to mayors and governors to develop their manpower planning and program assessment capability.

Major steps are now underway to build upon this framework so that during 1973 and 1974 a transition to manpower revenue sharing can be achieved as smoothly as possible. CAMPS committees have been restructured as advisory councils, appointed by State and local elected officials and responsible to them. The councils will advise the governors and mayors on manpower needs and programs and assist in the development of comprehensive manpower plans for their areas.

Table I-8. PROGRAM DIRECTION, RESEARCH, AND SUPPORT
(in millions of dollars)

Program	Outlays				
	1970 actual	1971 actual	1972 actual	1973 est.	1974 est.
Research and development.....	26	24	31	32	20
Evaluation.....	2	4	7	7	6
Labor market information.....	32	29	35	37	36
Planning and technical assistance.....	11	14	27	32	30
Program direction.....	73	75	84	97	101
Total.....	143	146	184	205	192

PERSONS SERVED

Enrollment and training levels.—Man-years of training and new enrollments are the activity measures used in this analysis. Man-years is the average enrollment during the year and new enrollments are the number of different people served during each fiscal year. In a few programs, e.g., NYC in-school and summer, a significant number

of people enroll in both programs within a single year, or in the same program several years in succession. In these cases, this analysis uses a net figure which deducts the overlap. Table I-9 shows the various measures by service approach.

Table I-9. TOTAL ENROLLMENT AND TRAINING LEVELS
IN 1972¹

Approach	Man-years	Man-years of service	Enrollees	New enrollees
On-the-job training.....	216	214	355	352
Institutional training.....	430	416	1,029	1,000
Vocational rehabilitation.....	661	661	518	510
Postschool work support.....	188	185	415	408
Subtotal, postschool programs.....	1,495	1,476	2,317	2,271
In-school work support.....	296	296	1,012	844
Total.....	1,791	1,772	3,328	3,115

¹ Excludes labor market services in which the enrollment concept does not apply.

Program focus.—The focus of most Federal manpower programs on the low income universe reflects the judgment that persons with severe employment handicaps are least likely to be able to improve their employment experience without assistance. For example, the manpower programs administered by the Department of Labor have emphasized services to poor persons who are not suitably employed, and are either (1) school dropouts, (2) under 22 years of age, (3) 45 years of age or over, (4) handicapped, or (5) subject to special employment obstacles such as racial discrimination. This focus on the disadvantaged avoids displacement of private training efforts which are generally targeted on different groups.

Table I-10 indicates that manpower programs have been serving their intended targets: the poor, the less educated, members of minorities, youth, and welfare recipients. Older persons are a small part of the population served since employment is often less appropriate than income support.

Table I-10. CHARACTERISTICS OF CIVILIAN LABOR FORCE, ADULT POVERTY POPULATION, AND MANPOWER PROGRAM PARTICIPANTS

Characteristics	Total U.S. work force 1971 (age 16-64) civilian non- institutional	Poverty population 1971 (age 14-64) civilian non- institutional	Manpower program participants 1972 estimate (age 14 and above) ¹
Average number (millions).....	81.0	12.9	2.3
Percent:			
Aged 21 or less.....	14	31	31
Aged 45 or more.....	35	30	13
Male.....	62	40	48
Less than high school education.....	37	66	47
8th grade education or less.....	16	37	13
Poor.....	7	100	75
Public assistance recipients.....	1	26	43
Disabled.....	(²)	(²)	25
Minority races.....	11	30	40

¹ All entries are estimates. Excludes labor market services and inschool programs.

² Not available.

As indicated in table I-11 below, the characteristics of enrollees served by different approaches vary considerably. In 1972, OJT enrollees were still among the least disadvantaged because on-the-job training programs tend to enroll those most job-ready. Institutional training now serves high proportions of welfare clients and educationally disadvantaged primarily due to the growth of the WIN and social services programs. Most disabled persons are served by rehabilitation programs targeted to their special needs. In the past, work support tended to focus on the most disadvantaged groups and provide a source of short-term employment and income for individuals with no immediate prospects for regular jobs. Because of the large-scale Emergency Employment Assistance program in 1972, 1973, and 1974, the characteristics of enrollees in work support in those years more closely resembles those in manpower programs generally.

Table I-11. CHARACTERISTICS OF ENROLLEES BY APPROACH IN 1972
(in percent)

Approach	Poor	Less than high school education	Minority races	Aged 21 or less	Male	Public assistance recipients	Disabled
Institutional training.....	94	49	49	36	28	77	3
On-the-job training.....	72	43	39	31	73	13	5
Vocational rehabilitation....	67	50	21	23	57	15	100
Postschool work support....	98	48	42	31	66	23	7
Subtotal, postschool.....	75	47	40	31	48	43	25
In-school work support.....	100	98	58	100	54	32	3
Total.....	82	63	45	53	50	40	17

SERVICES PROVIDED

Each major approach provides a substantially different mix of services, as shown in table I-12.

Table I-12. DISTRIBUTION OF COSTS BY APPROACH IN 1972 (in percent)

Service	Approach ¹					
	Institutional	OJT	In-school work support	Post-school work support	Rehabilitation	Job placement assistance
Remedial education.....	15	1	1	2	1	1
Skill training.....	32	20	0	4	6	1
Work experience.....	*	2	9	3	0	1
Health.....	1	*	*	*	18	*
Outreach, counseling and placement.....	4	4	3	2	22	67
Other supportive services ²	3	34	1	1	31	*
Program administration.....	10	5	10	6	7	30
Allowances.....	35	34	76	82	15	0
Total.....	100	100	100	100	100	100

*Less than 0.5%.

¹ Excludes program direction, research, and support. Includes State and local shares.

² Includes payments to employers to compensate for lower productivity of trainee and amounts which could not be allocated to other services.

Most OJT components reimburse employers for the cost of training and other supportive services, although a few provide allowances and other services directly to enrollees. Institutional training focuses on remedial education and skill training. Work support emphasizes payment of wages for work performed and work supervision. Overall, allowances and wages are the largest part of manpower costs, reflecting the need of enrollees for income support while participating in training.

While a comprehensive array of services is provided by manpower programs in total, the actual services available to each enrollee are often limited to those of the particular program in which he participates. Manpower revenue sharing will enable enrollees to benefit from a wider range of services by eliminating federally prescribed programs.

Table I-13. UNIT COSTS BY APPROACH IN 1972 ¹

Approach	Man-year unit cost estimate (dollars)	Average duration of enrollment (years)	Participant unit cost estimate (dollars)
Institutional training.....	2,470	.41	1,000
On-the-job training.....	2,050	.63	1,300
Vocational rehabilitation.....	1,190	1.23	1,470
Postschool work support.....	5,400	.67	3,610
Subtotal, postschool.....	2,200	.66	1,460
Inschool work support.....	1,760	.25	440
Total.....	2,130	.53	1,120

¹ Based on man-years of service. Includes State and local share, if any. Excludes child care components. All dollar amounts rounded to nearest 10.

In addition to the great variance in services provided by program and approach, there are significant differences in overall unit costs. Table I-13 shows that in 1972, unit costs were highest for postschool work support, reflecting the high cost of wages paid. Postschool work support unit costs were particularly high in 1972 as a result of EEA, which had a man-year cost of \$7,110. Participant costs are lowest for in-school work support programs, because they are part-time or of short duration. OJT costs are somewhat reduced because the employers' payment of salary costs obviates the need for allowances in most cases. In all approaches except rehabilitation, the participant unit cost is lower than the man-year cost because the duration of enrollment is less than 1 year.

Within all approaches, unit costs vary widely among individual programs and local projects reflecting variations in the intensity and quality of services and the needs of the clientele groups served. For example, the work incentive program pays lower allowances than most programs because enrollees are already receiving welfare payments. Job Corps has a high unit cost because housing and meals are provided in addition to an intensive training program.

MANPOWER FUNDS BY AGENCY

The following table shows manpower obligations and outlays by administering agency and program. Two agencies—the Departments

of Labor and Health, Education, and Welfare will account for 87% of all manpower outlays for 1974, about the same as in past years.

Table 1-14. FEDERAL FUNDS FOR MANPOWER PROGRAMS
BY ADMINISTERING AGENCY (in millions of dollars)

Agency and program	Obligations				Outlays			
	1971 actual	1972 actual	1973 est.	1974 est.	1971 actual	1972 actual	1973 est.	1974 est.
Office of Economic Opportunity: OEO manpower ¹	35	26	28	-----	28	31	26	2
Department of Defense: Project Transition.....	15	13	14	15	15	13	14	15
Department of Health, Education, and Welfare:								
Social services.....	227	376	593	613	224	369	551	570
WIN day care.....	26	74	28	119	27	32	65	117
Vocational rehabilitation.....	557	648	685	720	524	599	651	707
Upward mobility.....	-----	5	14	25	-----	5	14	24
Foster grandparents.....	10	-----	-----	-----	10	-----	-----	-----
High school work study.....	6	6	6	16	4	6	6	9
Subtotal, HEW.....	827	1,109	1,326	1,493	788	1,011	1,287	1,428
Department of Housing and Urban Development:								
Model cities.....	48	54	60	14	33	48	57	56
Community development training.....	1	1	1	-----	1	1	2	2
Subtotal, HUD.....	49	55	61	14	34	50	59	57
Department of the Interior:								
On-the-job training for Indians....	3	3	6	2	1	2	6	2
Institutional training for Indians....	28	31	30	26	27	31	30	26
Indian placement assistance.....	6	7	7	7	5	6	7	7
Subtotal, the Interior.....	37	40	42	35	34	39	42	35
Department of Justice: Training of offenders.....	4	5	5	5	4	5	5	5
Department of Labor:								
Manpower revenue sharing.....	1,556	1,620	1,137	1,300	1,356	1,638	1,382	1,164
Emergency employment assist- ance.....	-----	976	1,267	6	-----	567	1,100	580
Work incentive training.....	71	184	264	415	103	139	330	423
Food stamp work requirement.....	-----	8	14	16	-----	8	14	16
Employment service.....	349	355	388	401	347	338	388	401
Computerized job placement.....	23	34	34	25	23	32	36	25
ES labor market information.....	24	27	22	23	20	24	23	23
BLS labor market information.....	10	11	14	14	10	10	14	14
OFCC and age discrimination.....	3	4	4	4	3	4	4	4
Program administration.....	110	129	132	122	107	127	135	114
Subtotal, Labor.....	2,146	3,348	3,277	2,327	1,969	2,889	3,426	2,764
Veterans Administration:								
On-the-job training for veterans....	117	124	174	203	117	124	174	203
Veterans vocational rehabilitation....	77	84	105	117	77	84	105	117
Veterans assistance centers.....	1	3	4	4	1	3	4	4
Subtotal, VA.....	196	211	282	324	196	211	282	324

Table I-14. **FEDERAL FUNDS FOR MANPOWER PROGRAMS
BY ADMINISTERING AGENCY (in millions of dollars)—Continued**

Agency and program	Obligations				Outlays			
	1971 actual	1972 actual	1973 est.	1974 est.	1971 actual	1972 actual	1973 est.	1974 est.
Action:								
Foster Grandparents.....	-----	23	26	38	-----	11	21	26
Equal Employment Opportunity Commission:								
Equal employment opportunity..	16	23	32	47	16	21	30	43
All Federal agencies:								
Disadvantaged youth programs..	74	78	78	77	74	77	77	77
Federal contract compliance....	17	20	28	32	16	18	20	31
Subtotal, all Federal agencies..	91	98	106	109	90	95	104	108
Total.....	3,414	4,951	5,199	4,406	3,173	4,374	5,296	4,807

¹ Funding for this program will be transferred to the Department of Labor in 1974.

SPECIAL ANALYSIS J¹

FEDERAL HEALTH PROGRAMS

Overview.—Federal health programs will account for \$30.3 billion in estimated outlays in 1974. This is an increase of \$3.8 billion (14%) above 1973 and is representative of the upward trend of Federal health outlays as a component of the total Federal budget. The following table shows this trend in Federal health expenditures:

Table J-1. FEDERAL OUTLAYS FOR HEALTH COMPARED TO THE TOTAL FEDERAL BUDGET (dollars in billions)

	Actual					Estimated	
	1965	1967	1969	1971	1972	1973	1974
Total Federal outlays.....	\$118.4	\$158.3	\$184.5	\$211.4	\$231.9	\$249.8	\$268.7
Federal health outlays.....	\$5.2	\$10.8	\$16.6	\$20.2	\$24.5	\$26.5	\$30.3
Health as percent of total outlays....	4.4	6.8	8.9	9.5	10.6	10.6	11.3

Table J-2 summarizes and distributes Federal health outlays by major category for fiscal years 1972, through 1974. Expenditures for financing or delivering health services will account for 96% of the total \$3.8 billion increase over 1973, whereas 3% of the increase goes to health resource development and the remaining 1% to prevention and control of health problems.

¹ Many agencies and programs fund health or health-related activities, all of which outlays are included in this analysis. Part 4 of the Budget estimates 1974 expenditures for health at \$21.7 billion; it excludes those outlays of agencies and programs devoted to health, but classified under other functions such as National Defense or Veterans Benefits and Services. The following table bridges 1974 health outlays from Part 4 to the total used here (in billions of dollars):

Outlays in Part 4.....	21.7
Plus health outlays assigned to other functions in:	
Department of Defense.....	3.3
Veterans Administration.....	2.8
All other agencies.....	2.5
Equal total health outlays in this analysis.....	30.3

Both Part 4 and this analysis use the same categorical framework to distribute health outlays. However, for technical reasons Part 4 does not make as detailed a distribution in the outlays from a single appropriation as is done in this analysis. Thus, some outlays are assigned in this analysis to a different category.

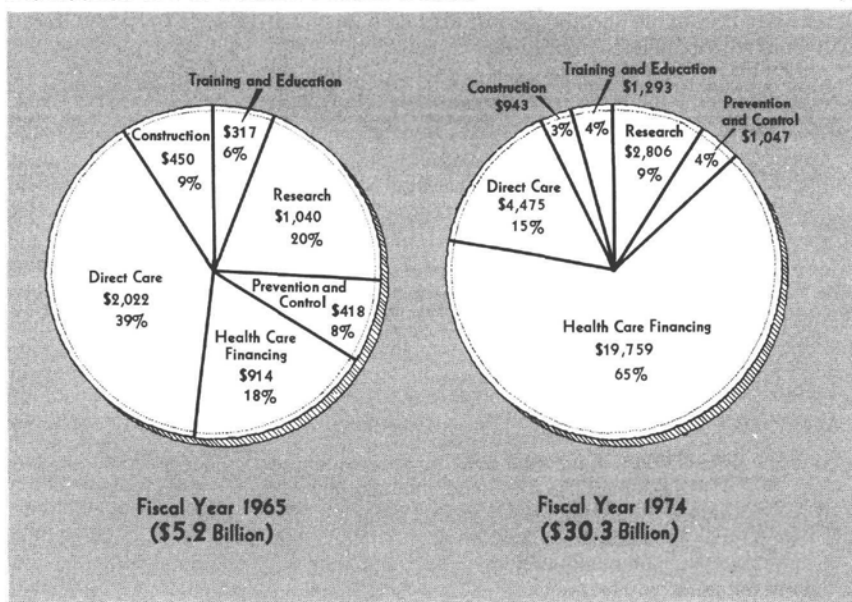
Table J-2. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY CATEGORY (in millions of dollars)

	Outlays		
	1972 actual	1973 estimate	1974 estimate
Development of health resources, total.....	(4,281)	(4,936)	(5,042)
Health research.....	1,776	1,997	2,147
Training and education.....	1,110	1,379	1,293
Construction.....	867	891	943
Improving organization and delivery.....	528	670	659
Provision of hospital and medical services, total.....	(19,439)	(20,542)	(24,234)
Provision of direct Federal services.....	4,026	4,432	4,475
Provision of indirect Federal services.....	15,413	16,110	19,759
Prevention and control of health problems, total.....	(810)	(988)	(1,047)
Disease prevention and control.....	405	506	513
Environmental control.....	148	155	187
Consumer protection.....	257	328	347
Total, health programs.....	24,531	26,466	30,323

In 1965, Federal health outlays accounted for 9% of the total national expenditures for health care. After the enactment of Medicare and Medicaid, Federal health outlays rose to 25% of the total national health care expenditures in 1972. Figure J-4 shows the distribution of health care expenditures by source. These expenditures increased from 5.5% of GNP in 1965 to 7.1% in 1972.

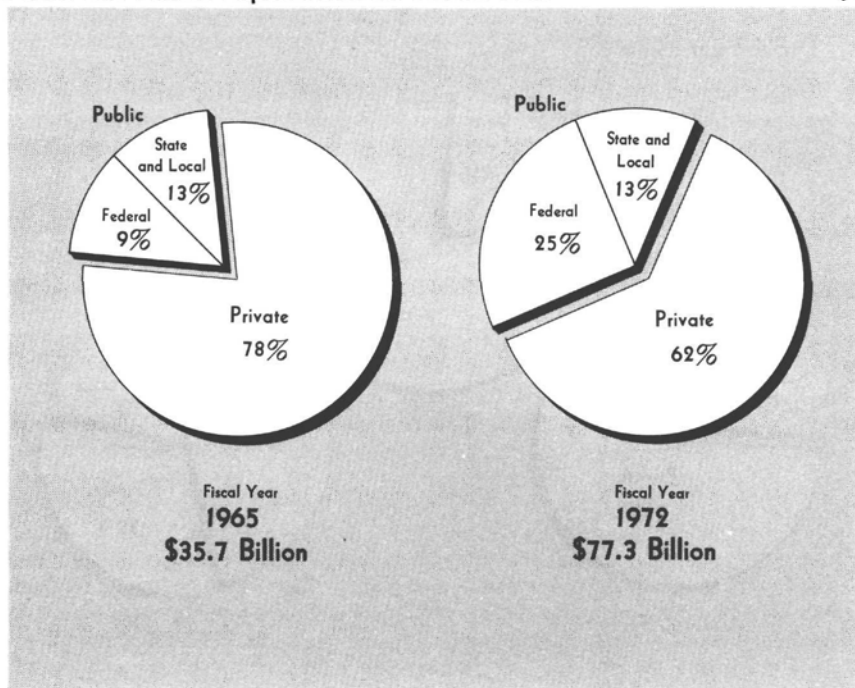
Distribution of All Federal Health Dollars

J-3



Public and Private Expenditures for Health Care

J-4



Within the total distribution for personal health care expenditures, there are differences in the makeup of the source of funds according to age. Two-thirds of the health bills for the aged (65 and over) are financed from public funds, both Federal and State and local. This compares to only one-fourth of the bill for persons aged 19-64 years. Medical care for the younger group is financed predominantly through private insurance mechanisms and through Medicaid for children of needy families. Figure J-5 on page 138 shows this distribution.

Health care received in the United States—both federally and privately financed—in some measure affects the health status of the population. It is difficult to attribute specific changes in health status to the impact of individual Federal programs—or even Federal programs in general—since those programs reach only a part of the total population, and because many other factors impinge on health status.

Changes over time, however, can be observed in several indicators of health status. Table J-6 shows the trends in several measures of health status over the past 20 years.

Funds for Personal Health Services by Age Group

J-5

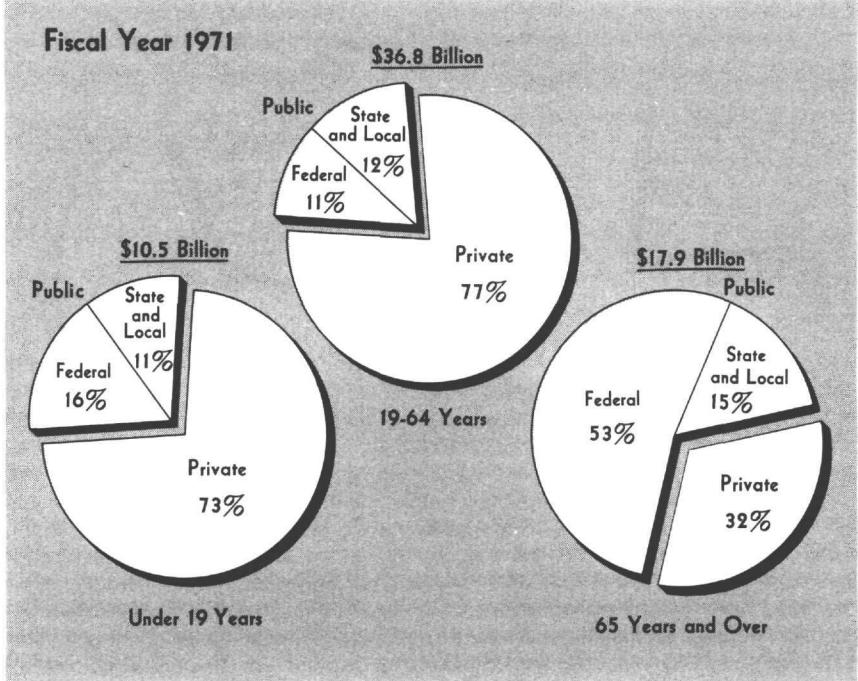


Table J-6. SELECTED INDICATORS OF HEALTH STATUS (annual rates)

	1950	1960	1970
Birth rate (per 1,000 population).....	23.6	23.7	18.2
Death rate (per 1,000 population).....	9.6	9.5	9.4
Average life expectancy at birth in years.....	68.2	69.7	70.8
Infant mortality rate (deaths under 1 year of age per 1,000 live births).....	29.2	26.0	19.8
Leading causes of death (per 100,000 population):			
Diseases of the heart.....	355.5	369.0	360.3
Cancer.....	139.8	149.2	162.0
Cerebrovascular disease.....	104.0	108.0	101.7
Accidents.....	60.6	52.3	54.2
Certain diseases of early infancy.....	40.5	37.4	¹ 20.9
Influenza and pneumonia.....	31.3	37.3	¹ 30.5
Tuberculosis, all forms.....	22.5		
General arteriosclerosis.....	20.4	20.7	¹ 15.9
Diabetes.....	16.2	16.7	18.5
Days of bed disability for selected conditions (per 1,000 population):			
Influenza and pneumonia.....	NA	99.6	101.9
Upper respiratory disease.....	NA	92.2	81.5
Heart disease.....	NA	53.4	46.0
Arthritis.....	NA	28.4	28.4
Hypertension without heart involvement.....	NA	12.6	13.6
Diabetes.....	NA	11.7	11.7
Ulcer.....	NA	14.5	8.7

¹ Some of changes in death rates are primarily because of changes in coding and do not necessarily reflect changes in actual death rates.

Federal health programs—as indicated in table J-2—can be grouped into three basic categories—programs designed to increase health resources, programs to provide health and medical services (both indirectly through financing, and directly), and programs aimed at the prevention and control of health problems. Included in these three categories, however, are special impact programs that address particular national problems that warrant a targeted response. This special analysis addresses each of these three categories followed by a section on special impact programs.

HEALTH RESOURCES

Federal programs for the development of health resources include support for health research, health manpower training and education, construction of medical and health facilities, and efforts directed toward improving the organization and delivery of health services. The combined outlays for these programs as shown in table J-7 will be \$5,042 million in 1974, an increase of \$106 million over 1973.

Table J-7. FEDERAL OUTLAYS FOR DEVELOPMENT OF HEALTH RESOURCES (in millions of dollars)

	Outlays		
	1972 actual	1973 estimate	1974 estimate
Health research.....	1,776	1,997	2,147
Training and education.....	1,110	1,379	1,293
Construction.....	867	891	943
Improving organization and delivery.....	528	670	659
Total.....	4,281	4,936	5,042

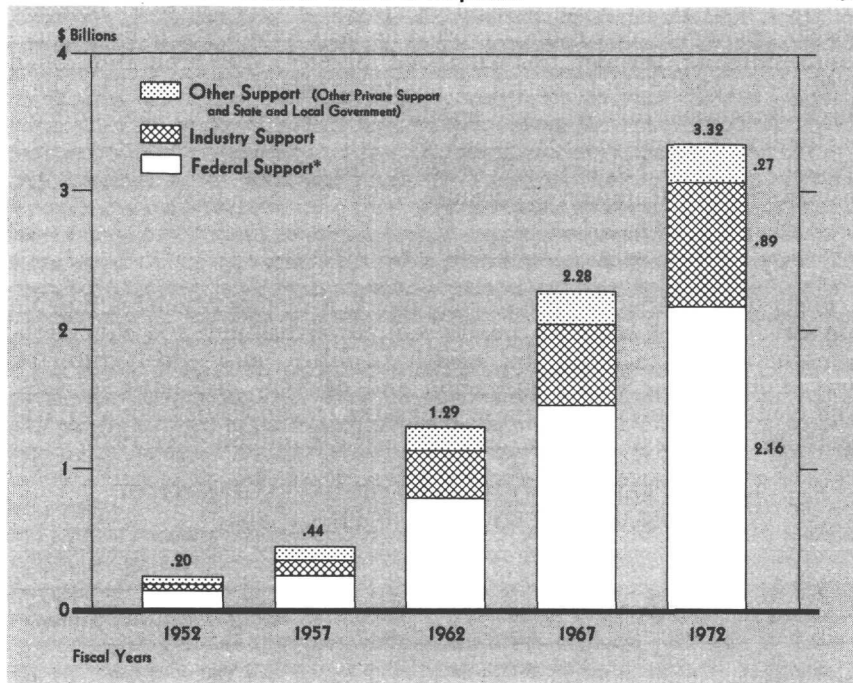
Health research.—Biomedical research attempts to provide new knowledge, through the support of basic and applied research, that can be used in the diagnosis, treatment, prevention, and further understanding of disease.

As figure J-8 indicates, the Federal Government is the predominant source of financial support for biomedical research in the United States, providing 65% of total research funds in 1972 and 64% of total research funds in 1967. Private industry provided 27% of the total, and foundations, voluntary health agencies, and others provided the remaining 8%. Research support from all sources has been increasing for the last 20 years, and Federal funds have increased most rapidly. Tables J-26 through J-28 show that health research, supported by some 14 Federal agencies, has grown by approximately 21% over the 3 years from 1972 to 1974.

The largest single Federal agency supporting biomedical research is the National Institutes of Health (NIH) within the Department of Health, Education, and Welfare (HEW). NIH administers 60% of the Federal funds to support health research.

Funds for Medical Research and Development

J-8



* Covers obligations for medical and health-related research and development excluding training or construction

As indicated in table J-9, Federal funds support a wide range of categorical research to address many major health problems. In 1974, NIH—as well as other Federal health research programs—will stress research on cancer and cardiovascular disease—the two leading causes of death in the United States. Outlays for cancer research will rise to \$387 million in 1974, and cardiovascular research will be funded at \$222 million. In 1974, budget authority for the National Cancer Institute will rise to \$500 million and the National Heart and Lung Institute will increase to \$265 million.

Table J-9. FEDERAL OUTLAYS FOR HEALTH RESEARCH (in millions of dollars)

	Outlays		
	1972 actual	1973 estimate	1974 estimate
Cancer.....	255	293	387
Cardiovascular.....	166	189	222
Mental health.....	103	111	113
Neurological and visual.....	124	130	126
Population and family planning.....	36	46	47
Environmental health.....	198	267	305
Aging.....	21	21	22
Metabolic diseases.....	129	125	124
Child health.....	65	66	63
Infectious diseases.....	143	149	144
Pulmonary.....	24	25	30
Dental.....	34	37	36
Other research and development.....	476	537	527
Total.....	1,776	1,997	2,147

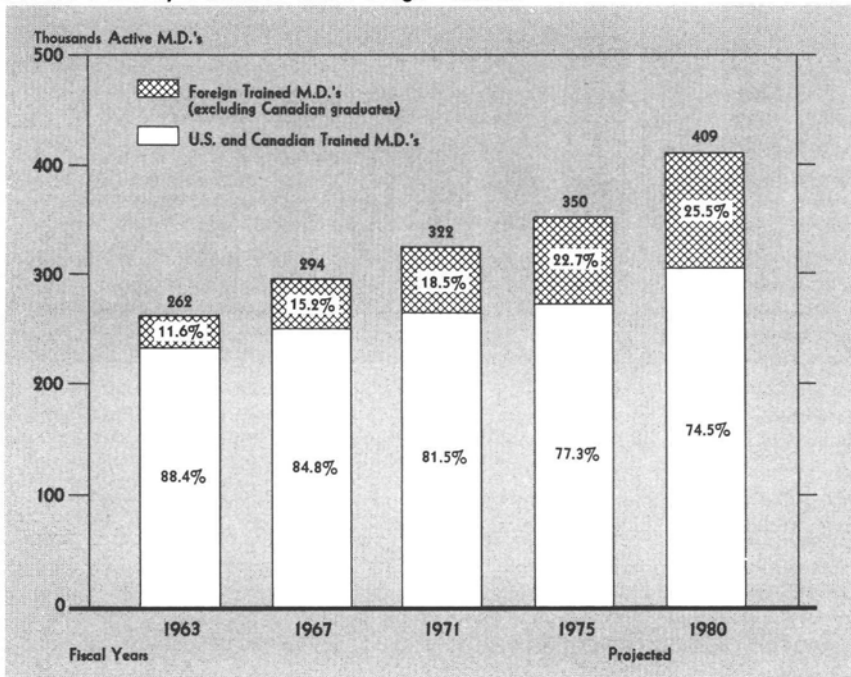
In addition to NIH, other Federal agencies support and conduct research designed to complement their own program missions. The three largest of these biomedical research programs are those of the Department of Defense (DOD), Atomic Energy Commission (AEC), and the Veterans Administration (VA). DOD research, for example, concentrates on traumatic injury and surgical casualty management, infectious disease, hazard protection, and psychiatry. AEC conducts a broad range of research, but focuses primarily on environmental and health effects of radiation. VA research is focused primarily on diseases that affect the veteran population.

Training and education.—The rising demand for health services, and programs of Federal financial support for biomedical research and education, have led in recent years to a very substantial expansion of the Nation's health manpower educational institutions and an increase in the numbers of trained manpower.

Since the 1963–1964 academic year, the number of U.S. medical schools has grown from 87 to 111; and first year enrollments have increased from 8,772 to 13,330. In addition, the pool of foreign-trained physicians (including many U.S. citizens) has doubled since the early 1960's to approximately 60,000, or 18.5% of all active physicians. NIH estimates that the current annual net influx of 5,200 foreign medical graduates is roughly the equivalent of the yearly output from 34 U.S. medical schools.

Active M.D.'s, Domestic and Foreign Trained

J-10

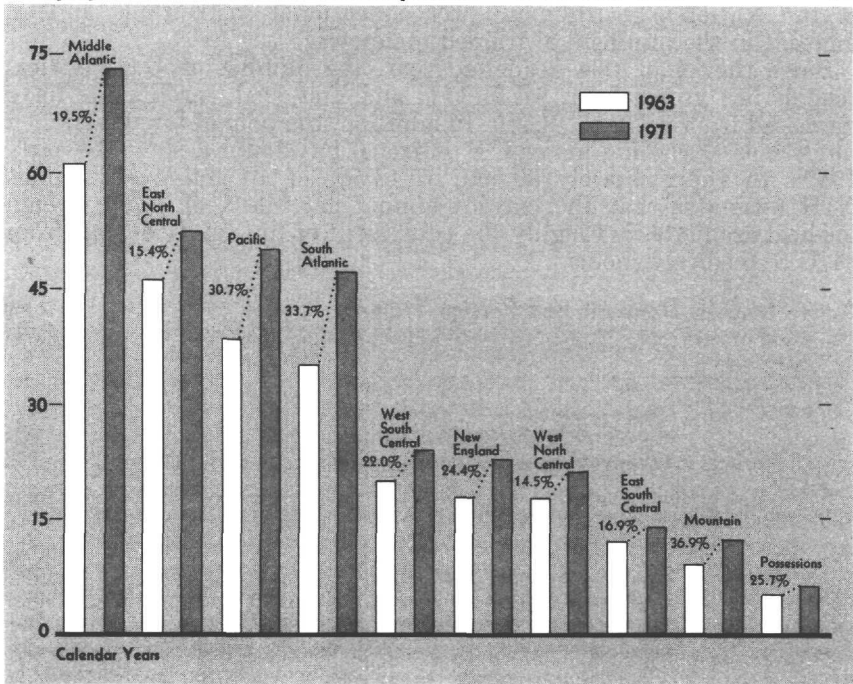


The Nation's supply of active physicians (M.D.'s) grew from about 240,000 in 1960 to 322,000 in 1971, an increase of 34% over an 11-year period. Without major alterations in either present output from domestic schools or immigration patterns, the supply is projected to increase steadily by 1980 to approximately 408,000, an increase of 27% during the 1971-1980 period. This projection indicates that the Nation will have 86,000 more physicians than were available in 1971, or approximately 54,000 more physicians than needed to maintain the current national average physician-to-population ratio.

The national aggregate physician-to-population ratio, as projected to 1980, would be 180 per 100,000. This is the current ratio for the mid-Atlantic region, the highest ratio in the Nation.

Geographic Distribution of U.S. Physicians—1963 and 1971

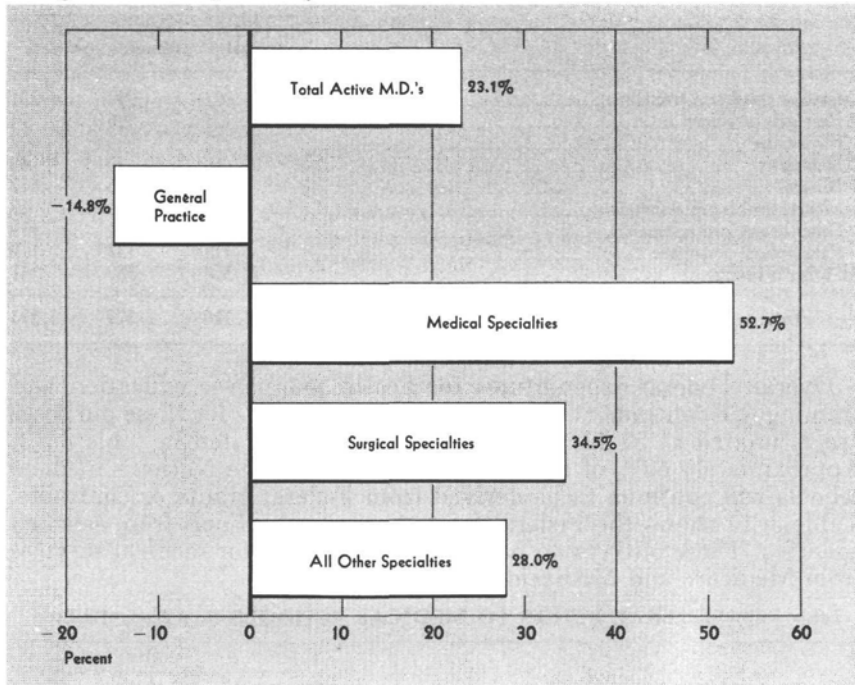
J-11



This increase in overall physician supply, however, has not significantly altered the imbalance in the geographic and medical specialty distribution of physicians. The projected increase in supply may bring about little change in this regard. Both U.S. and foreign-trained physicians have tended to locate in more populous, urbanized settings, and to locate disproportionately in the Middle Atlantic and East North Central States. Figure J-11 illustrates how little the geographic distribution—shown in thousands of physicians per major census area—changed from 1963 to 1971.

Change in U.S. Physician Specialties — 1963 to 1971

J-12



The composition of medical specialty manpower has changed little since the early 1960's, with the exception of a 15% decline in the number of physicians in general practice during the period from 1963 to 1971. This decline does not necessarily reflect a comparable decline in the number of physicians providing primary care, since the functions of general practice have been assumed largely by specialists in internal medicine, obstetrics and gynecology, and pediatrics.

Table J-13. **FEDERALLY AIDED HEALTH TRAINING AND EDUCATION**
(In millions of dollars)

	Outlays		
	1972 actual	1973 estimate	1974 estimate
Degree or certificate training.....	(802)	(999)	(983)
Research personnel.....	121	106	94
Physicians.....	272	333	407
Dentists.....	60	79	85
Nurses.....	108	175	112
Mental health professionals.....	31	29	27
Other health professionals.....	92	144	139
Paramedical personnel.....	118	132	119
All other training.....	308	380	311
Total.....	1,110	1,379	1,293

Overall Federal expenditures for health manpower education and training will continue at high levels in 1974. Outlays for these purposes are estimated at \$1,293 million in 1974, as illustrated in table J-13. Approximately 50% of the financial support for the Nation's medical schools will continue to be derived from Federal grants or contracts. Table J-14 shows the Federal funds to medical schools from selected agencies. These outlays do not include payments for medical services from Medicare and Medicaid.

Table J-14. **FEDERAL FUNDS TO MEDICAL SCHOOLS** (in millions of dollars)

Agency	Outlays		
	1972 actual	1973 estimate	1974 estimate
Department of Health, Education, and Welfare.....	(818)	(835)	(962)
Research and development.....	557	595	627
Education and training.....	153	193	254
Construction.....	108	46	80
Other.....	1	1	1
Department of State (AID).....	(7)	(10)	(11)
Research and development.....	1	2	2
Education and training.....	6	8	9
Atomic Energy Commission.....	(13)	(13)	(14)
Research and development.....	13	13	14
National Aeronautics and Space Administration.....	(4)	(4)	(4)
Research and development.....	4	4	4
Total.....	844	863	991
Research and development.....	576	615	648
Education and training.....	159	201	263
Construction (total, Federal funds).....	108	46	80
Other.....	1	1	1

The principal programs of direct support for the health professions schools are operated by HEW under the provisions of the 1971 Comprehensive Health Manpower Training and Nurse Training Acts. These include:

- institutional formula support for the Nation's schools of medicine, osteopathy, and dentistry.
- special project support to all the health professions schools, as well as to nursing, public health, and allied health.
- special projects to improve access to health education for minorities and the disadvantaged, to develop new types of health manpower, to stimulate the practice of family medicine, and to bring medical education into closer contact with health-care delivery needs in medically underserved areas.

Student assistance—in the form of loans and traditional scholarships—will continue to be provided in 1974. An increased emphasis will be placed on Federal scholarships for health professionals in return for periods of public service. A program of national health service scholarships will be funded at a level of \$22.5 million. Under this program—which will pay all tuition, fees, and other educational expenses, as well as a generous stipend—access to a health professions education can be assured for more than 2,000 students, some of whom may be needy or disadvantaged. At the same time, it will insure a future supply of health manpower sufficient to enable the Federal Government to discharge its essential health-care responsibilities.

Table J-15. HOSPITAL AND HEALTH FACILITY CONSTRUCTION
(in millions of dollars)

	Outlays		
	1972	1973	1974
Federally supported construction:			
Hospitals, new	64	48	56
Hospitals, modernized and replaced	121	65	58
Long-term care facilities	30	31	30
Environmental health facilities	157	152	147
Ambulatory care facilities	59	96	71
Other facilities	24	26	20
Total, federally supported	456	417	381
Federal hospitals and health facilities:			
Hospitals, new	30	38	65
Hospitals, modernized and replaced	108	153	138
Long-term care facilities	3	3	6
Environmental health facilities	36	57	69
Ambulatory care facilities	4	3	6
Other facilities	10	16	33
Total, federal	191	270	315
Total construction	647	687	696

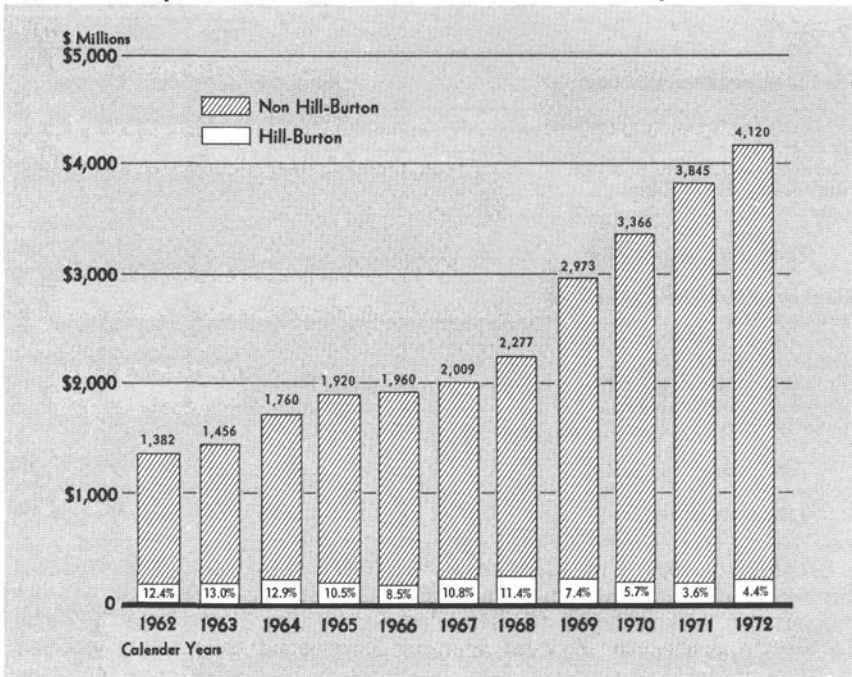
Construction of health care facilities.—Federal programs for the construction of health care facilities include the support of both community health care facilities to serve the general public and facilities operated by Federal agencies for special beneficiary groups. In 1974, Federal outlays for the construction of health care facilities, including environmental health facilities, are estimated at \$696 million (see table J-15).

Construction or modernization of the Federal Government's own hospitals and other facilities for the direct delivery of care—primarily those of the VA, DOD, and HEW—will involve expenditure of an estimated \$315 million in 1974.

The Nation currently is experiencing an overall oversupply of hospital beds, and the occupancy rate in the Nation's hospitals has been declining since 1969. Today the national average occupancy rate in community hospitals is down to about 73%. In some areas—particularly nonmetropolitan areas in the Midwest and the West—the average occupancy rate is below 70%. This can be attributed to changes in treatment practices and an emphasis on ambulatory care, as well as to over-building in certain areas.

The primary Federal program supporting the construction of community health care facilities—the Hill-Burton program in HEW—has met the essential objectives for which it was originally established; accordingly, it will not be continued in 1974. From 1947 to 1971, it assisted in over 10,000 medical facility construction projects totaling approximately \$12.8 billion, of which just over \$3.7 billion or 29% were Federal Hill-Burton funds. Hill-Burton expenditures—as a percentage of total national expenditures for construction of health care facilities—have declined over the past decade. In 1972, Hill-Burton expenditures represented only about 5% of the total national medical facility construction expenditures, compared to 13% in 1963. Other Federal programs—such as the Federal Housing Administration and Small Business Administration loan guarantee programs—will continue to be available to assist in construction of health facilities.

Hill-Burton Expenditures Relative to Total Medical Facility Construction J-16



Other Federal agencies, however, will continue in 1974 to assist in the construction of community health facilities. The Department of Housing and Urban Development, for example, provides mortgage insurance for construction of hospitals, nursing homes, and group practice facilities. The volume of mortgage insurance commitments in 1974 by HUD is estimated to be \$313 million.

Organization and delivery of health services.—In 1974, the Federal Government will engage in research focused on improvements in the health care delivery system. The principal activities will involve the continuing support for health services research, comprehensive health planning activities at the State and local level, and a selected group of demonstration activities. Outlays for these purposes are estimated at \$659 million in 1974.

In *comprehensive health planning*, the number of planning agencies receiving Federal support is estimated to be approximately 300 in 1974, compared to 254 in 1972.

In summary, the primary Federal health care delivery demonstration activities include:

- Contracts to demonstrate the potential benefits of comprehensive *emergency medical services* (EMS) systems, and the provision of limited technical assistance and exchange of information at the national level.
- An estimated 223 health professionals in the *National Health Service Corps* who will be located in more than 113 medically underserved areas to demonstrate the ability of those communities to support necessary health personnel.
- A program of technical and financial assistance for the planning, development, and initial operations of systems to deliver comprehensive medical services on a prepaid basis.

FINANCING AND PROVIDING HOSPITAL AND MEDICAL SERVICES

Programs to finance or provide hospital and medical services include Medicare and Medicaid, which account for 72% of outlays for these purposes, as well as directly administered Federal programs for health services for certain Federal beneficiaries administered by the Department of Defense, the Veterans Administration, and HEW. Table J-17 shows Federal expenditures for financing and providing hospital and medical services.

Table J-17. FEDERAL FINANCING AND PROVISION OF HEALTH SERVICES (dollars in millions)

	Outlays			Patients treated (thousands)		
	1972	1973	1974	1972	1973	1974
Provision of direct Federal hospital and medical services:						
General hospital inpatients.....	\$2,421	\$2,654	\$2,567	1,889	1,963	1,952
Psychiatric hospital inpatients.....	464	471	497	173	176	179
Long-term inpatients.....	114	115	122	33	33	32
Outpatient services.....	950	1,105	1,188	66,831	68,051	69,878
Other services.....	77	87	102			
Total, direct services.....	4,026	4,432	4,475			
Provision of indirect Federal hospital and medical services:¹						
General hospital inpatients.....	8,237	8,756	10,976	8,744	9,358	10,808
Psychiatric hospital inpatients.....	221	214	205	1,110	119	127
Long-term care inpatients.....	1,632	1,618	2,013	945	1,041	1,137
Physician services—office, home, or institution.....	2,818	2,913	3,355	45,299	51,387	58,659
Outpatient services.....	1,041	1,110	1,272			
Other services.....	942	926	1,316			
Total, indirect services.....	15,413	16,110	19,759			
Total, provision of services.....	19,439	20,542	24,234			

¹ Detail excludes outlays for Federal Employees Health Benefits.

In 1974, an estimated \$24.2 billion will be spent to pay for health services under Federal health care financing programs and programs to provide care directly, an increase of \$3.7 billion over 1973. Nearly 143 million patients will receive services financed under these programs in 1974, and increase of 11 million from the 1973 level.

The rapid expansion of Federal health care financing programs in aggregate and as a percentage of total Federal health expenditures reflects the rise in costs, changing patterns in the utilization of medical services, population growth, and changes in benefits and coverage in recently enacted legislation.

Outlays for health services that the Federal Government provides directly will be \$4,432 million in 1973 and \$4,475 million in 1974.

Efforts to control medical cost inflation through economic stabilization program authorities will continue in 1974. Emphasis on the quality and appropriateness of care will also be stressed through the initiation of a nationwide system of physician-sponsored Professional Standards Review Organizations (PSRO's) for Medicare and Medicaid beneficiaries.

Medicare.—Medicare is the Federal Government's largest health activity and will account for 43% of Federal health outlays in 1974. It includes both hospital insurance (HI) which pays for inpatient care and subsequent skilled nursing home and home health benefits, and supplementary medical insurance (SMI) which pays for physicians' and other outpatient services.

HI is financed largely through social security taxes on earnings, while SMI is financed by premiums from enrollees (currently \$5.80

per month) and contributions from general tax revenues. Both insurance components are administered primarily through private insurance companies under contract with the Social Security Administration. More than 21 million aged persons, comprising over 95% of the Nation's aged population, will be enrolled in Medicare in 1974. In addition, recent legislation extended eligibility in 1974 to 1.7 million social security recipients under age 65 who have been eligible for social security disability benefits for 2 years and to persons covered by social security and their families who require treatment for chronic kidney disease.

Outlays for the Medicare program will reach \$12.1 billion in 1974, a rise of \$2.5 billion (26%) over 1973. Most of this increase is due to expanded coverage and benefits provided by recent legislation, as well as to rises in costs, increased use of medical services, and to growth of the aged population.

The bulk of Medicare outlays pay primarily for hospital and physicians' services, which make up 71% and 21% respectively of benefits payments. Nearly 86% of benefit payments will be on behalf of the aged, while 13% will be for services to the disabled, and 1% for those requiring treatment of chronic kidney disease. The average payment for HI beneficiaries is estimated to increase from \$1,414 in 1973 to \$1,589 in 1974, and the average payment for SMI beneficiaries is estimated to rise from \$235 to \$244 over this same period.

An intensified utilization review effort will also be undertaken to strengthen monitoring of quality and appropriateness of care by participating institutional providers and by the private insurance companies which administer the program under contract with the Social Security Administration. Increased facility inspections will be undertaken to assure maintenance of minimum standards.

The following table displays basic data concerning the Medicare program coverage, benefits, and administration.

Table J-18. **MEDICARE COVERAGE, BENEFITS AND ADMINISTRATION**
(in millions)

	1971	1972	1973	1974
Hospital insurance (HI):				
Persons with protection.....	20.3	20.6	20.9	22.9
Beneficiaries receiving services.....	4.5	4.6	4.7	5.4
Benefit payments:				
Inpatient hospital services.....	\$5,119	\$5,881	\$6,388	\$8,143
Skilled nursing home services.....	\$247	\$180	\$206	\$307
Home health services.....	\$77	\$47	\$51	\$66
Kidney care.....	-----	-----	-----	\$62
Administrative expenses.....	\$149	\$166	\$205	\$290
Claims received.....	8.3	8.5	8.9	11.2
Supplementary medical insurance (SMI):				
Persons with protection.....	19.8	20.1	20.4	22.5
Beneficiaries receiving services.....	10.3	10.3	10.4	11.6
Benefit payments:				
Physicians' services.....	\$1,864	\$1,997	\$2,125	\$2,364
Home health services.....	\$32	\$22	\$28	\$39
Outpatient services.....	\$106	\$179	\$220	\$283
Kidney care.....	-----	-----	-----	\$31
Other.....	\$33	\$57	\$72	\$115
Administrative expenses.....	\$255	\$283	\$295	\$390
Claims received.....	57.5	64.1	70.8	92.3

Legislation is being proposed to redesign the deductible and coinsurance provisions of both HI and SMI in order to provide stronger and more equitable incentives for use of appropriate and economical services and to reduce the financial burdens of lengthy hospitalization.

Medicaid.—Medicaid is a State program that provides medical services to individuals receiving public assistance. States may also choose to provide medical services to the medically needy, e.g., those persons with income slightly above the public assistance level who are unable to pay all medical expenses. Federal matching assistance ranges from 50% to 83% of the costs of providing these benefits, depending upon States' per capita incomes. The States determine the level and types of medical benefits. Under recently passed legislation States also determine the cost sharing amounts (enrollment fees, premiums, deductibles) that Medicaid recipients will be required to pay.

In 1974, health care services under Medicaid will be provided to approximately 27 million welfare recipients and other low-income persons. The Federal outlays will be \$5.2 billion. The following table depicts Federal outlays and other selected program indicators.

Table J-19. MEDICAID COVERAGE, BENEFITS, AND ADMINISTRATION

	1972 actual	1973 estimate	1974 estimate
Payments to medical vendors (millions).....	\$4,426	\$4,090	\$4,896
Administrative costs (millions).....	\$175	\$211	\$340
Percentage of payments to categorically needy.....	77.4%	77.0%	77.8%
Recipients of service (millions of persons).....	20.6	23.5	27.2
Aged 65 or over.....	3.8	4.0	5.2
Blind and disabled.....	1.8	2.1	2.5
Children under 21.....	9.4	10.8	12.1
Other adults.....	5.6	6.6	7.4

Approximately 70% of the Federal Medicaid funds will finance inpatient and long-term care in 1974. The remaining dollars will finance outpatient services, as shown in table J-20.

Table J-20. ESTIMATED MEDICAID PAYMENTS, 1974

Service	Outlays (millions)	Percent
General and TB hospitals.....	\$1,518	31
Mental hospitals.....	196	4
Nursing facilities.....	959	20
Intermediate care facilities.....	680	14
Physicians services.....	553	11
Outpatient drugs.....	293	6
Dental care.....	50	1
Outpatient services (hospital).....	146	3
Outpatient clinic services.....	99	2
Medicare buy-in (part B).....	99	2
Laboratory, X-ray.....	49	1
Other.....	254	5
Total.....	\$4,896	100

The following table shows the distribution of Federal Medicaid funds by population and reflects the high utilization among the adult population of more expensive types of medical services such as inpatient hospital and long-term care.

Table J-21. DISTRIBUTION OF MEDICAID BENEFIT PAYMENTS AND POPULATION

Medicaid population groups	Benefit payments	Population
Aged 65 or over	39	20
Blind and disabled.....	22	9
Children under 21.....	19	46
Other adults.....	20	25

The Social Security Amendments of 1972 will have a significant impact on Medicaid outlays. As a result of increased utilization review, cost-sharing and the State option to reduce or eliminate services, Medicaid outlays will be reduced by \$355 million in 1973 and \$714 million in 1974. Services received by the adult categories will increase as a result of the amendments.

Increased emphasis on the administration of the Medicaid program at both the Federal and State level will result in savings estimated at \$100 million in 1973 and \$175 million in 1974. The savings will result from expanding eligibility screening, more effective program and financial review, and the elimination of inappropriate expenditures.

Legislation will be proposed to require Medicaid reimbursement for services provided in free-standing clinics and to terminate Federal payments for dental services provided to adults. States may, however, continue to provide dental services.

Other programs.—In addition to Medicaid and Medicare, the Federal Government finances or provides medical services for certain special categories of beneficiaries—such as Armed Forces personnel and their dependents, veterans, and American Indians. In addition, the Federal Government provides project grant assistance to finance comprehensive health benefits for a limited number of communities. These programs include:

- *Federal project grants.*—Federal assistance is provided for the support of existing health projects—maternal and child health, comprehensive health centers, neighborhood health centers, and family planning services. Obligations will amount to \$354 million in 1974 for these centers serving more than 2.5 million people.
- *Indian health services.*—Outlays for Indian health services and facilities will increase in 1974 to \$218 million, a \$15 million increase over 1973. These funds provide comprehensive health care, with an emphasis on ambulatory care as well as sanitation facilities, hospitals and clinics. Indicators of improved health among Indians since 1960 include a 55% decline in infant mortality, a 15% decline in the death rate, a 5% increase in average life expectancy, and a 70% decrease in deaths attributable to tuberculosis. In addition, since 1972, the number of outpatient visits has increased by 10% while the number of inpatient hospital days has remained constant.

Table J-22. **SELECTED INDICATORS OF INDIAN HEALTH STATUS**
(annual rates)

	1950	1960	1970
Birth rate (per 1,000 population).....	36.2	42.7	32.6
Death rate (per 1,000 population).....	12.9	9.1	7.7
Average life expectancy at birth (years).....	60.0	61.7	64.0
Infant mortality rate (deaths under 1 year of age per 1,000 live births).....	185.8	50.3	23.8
Leading causes of death (per 100,000 population):			
Heart.....	148.8	135.5	142.0
Accidents.....	125.9	155.2	157.1
Influenza and pneumonia.....	108.0	95.0	38.6
Certain diseases of early infancy.....	77.3	66.7	29.6
Cancer.....	60.3	65.2	62.6
Cirrhosis of liver.....	7.7	20.7	45.5
Disease incidence (cases diagnosed per 100,000 population): ³			
Gastroenteritis.....	(²)	2,620	6,060
Pneumonia.....		2,160	3,002
Measles.....		1,114	162
Trachoma.....		938	617
Otitis media.....		4,007	10,742
Diphtheria.....		6	3
Influenza.....		910	3,424
Polio.....		7	.4
Tuberculosis.....		292	157

¹ Less Alaska.

² No data available.

³ Some of the changes in disease incidence result from a general increase in outpatient visits as well as more accurate reporting.

- *Medical care to active and retired military personnel and their dependents.*—In 1974, DOD will operate over 200 hospitals and other health facilities directly and will contract with community facilities to provide additional care for its beneficiaries. Outlays for these services will be \$2,792 million in 1974, \$408 million more than in 1973.
- *Medical care to veterans.*—VA operates 170 hospitals, 103 long-term care facilities, and 213 outpatient clinics, and also provides contract care for certain veterans. Expenditures for health services to veterans are estimated to be \$2,425 million in 1974, an increase of \$313 million over the 1973 level. Outpatient visits in 1974 are expected to rise to almost 14 million with an increase in the number of patients receiving hospital treatment to 1,039 thousand from 1,012 thousand in 1973.
- *Health insurance for Federal employees.*—Health benefits are provided to almost 8.5 million Federal civilian employees and annuitants and their dependents under the Federal employees health benefits programs managed by the Civil Service Commission. In 1974, Federal payments to finance these programs will increase by \$50 million to \$623 million.

Distribution of health care outlays by age groups and economic status.—Table J-23 illustrates the distribution of Federal outlays under the major civilian programs for the financing and direct provision of hospital and medical services among three major age groups and between indigent and nonindigent persons. Outlays for the development of health resources and for prevention and control of health problems have been excluded from the table since they are

designed to serve the entire Nation and are not normally distributed by population group or income.

The largest health care expenditure increase in absolute terms will be for nonindigent aged persons. This reflects the rise in medical care costs as well as increased Medicare program benefits for the aged. The largest increase in percentage terms, however, will be for other non-indigent adults. This increase reflects the enactment of legislation extending the Medicare benefits to disabled social security beneficiaries and to persons requiring treatment for chronic kidney disease. Approximately 28% of these health care outlays will cover health care for the needy in 1974.

Table J-23. ESTIMATED FEDERAL HEALTH CARE OUTLAYS BY POPULATION AND INCOME GROUPS (in millions of dollars)

	Outlays		
	1972 actual	1973 estimate	1974 estimate
Total, all recipients	12,076	13,206	15,927
Aged (65 and over).....	9,351	10,184	10,958
Other adults (19-64).....	2,292	2,601	4,534
Children and youth (0-18).....	433	421	435
Indigent persons, total	4,911	4,795	4,528
Aged (65 and over).....	2,988	2,697	1,968
Other adults (19-64).....	1,537	1,731	2,183
Children and youth (0-18).....	387	367	377
Nonindigent persons, total	7,163	8,411	11,399
Aged (65 and over).....	6,363	7,487	8,990
Other adults (19-64).....	755	870	2,351
Children and youth (0-18).....	46	54	58

PREVENTION AND CONTROL OF HEALTH PROBLEMS

Consumer safety, communicable disease control, traffic accident reduction, occupational safety, environmental health, and foreign health assistance are some of the areas in which the Federal Government supports programs to prevent and control health problems. Outlays for these activities will increase by 6% to \$1,047 million in 1974. Table J-24 shows Federal outlays for the prevention and control of health problems.

Table J-24. FEDERAL OUTLAYS FOR THE PREVENTION AND CONTROL OF HEALTH PROBLEMS (in millions of dollars)

	Outlays		
	1972 actual	1973 est.	1974 est.
Disease prevention and control.....	405	506	513
Environmental control.....	148	155	187
Consumer safety.....	257	328	347
Total, prevention and control	810	988	1,047

Disease prevention and control.—Disease control includes those activities supported by a variety of Federal agencies directed toward the prevention of diseases through research, provision of direct services and public education. Such activities include immunizations, laboratory improvement, and control of disease transmission through border surveillance. In addition to the control of communicable diseases, emphasis is placed on drug abuse problems, mental illness, crime prevention, and special regional health problems such as black lung disease.

The Center for Disease Control (CDC) in HEW will focus its efforts on the control of venereal disease through assistance to States and localities in the form of technical assistance, drugs, personnel, and public education.

CDC will also continue its national surveillance of other communicable diseases and its program of laboratory inspections to protect the public from epidemics while assuring quality control of interstate laboratories.

Environmental control.—Demonstration environmental health programs to control lead-based paint poisoning and rodents will continue within HEW, although the major environmental effort will be in the Environmental Protection Agency (EPA). EPA maintains a surveillance of the effects of environmental pollution on the health of the American people, promulgates environmental standards and monitors compliance.

Consumer safety.—In 1974, Federal efforts to protect the consuming public from impure foods, unsafe and ineffective drugs and hazardous consumer products will continue to grow with an increase of \$19 million in outlays over 1973.

The Food and Drug Administration (FDA) in HEW will continue to play a major role in improving the quality and safety of the Nation's food supply and the safety and effectiveness of drugs for their intended uses. FDA's responsibilities have been expanded by the transfer of the Division of Biologics Standards from the National Institutes of Health to FDA. FDA's new Bureau of Biologics will continue to review the efficacy of all biologicals and vaccines and will conduct comprehensive inspections of intrastate blood banks in 1974.

In addition, proposed legislation will authorize FDA to set standards for and review before marketing, if necessary, the safety and effectiveness of medical devices. Other proposed legislation would require coding of all drugs to aid in their rapid identification and require full-ingredient statements on all food labels. The Environmental Protection Agency (EPA) and FDA will continue the development of the National Center for Toxicological Research which will perform long-term studies of the effects of low concentrations of chemicals in the environment and foods.

The Department of Agriculture's meat and poultry inspection programs protect the consumer by assuring that all fresh and processed meat and poultry and their products that are shipped in interstate and foreign commerce are wholesome and suitable for human consumption. Increases are proposed for inspection of additional plants

and assumption of intrastate inspection responsibilities from States unable to maintain an inspection system of at least equal quality to the Federal system.

The Consumer Product Safety Commission, established by the Consumer Product Safety Act, will be operational in 1974. The Commission will conduct investigations and research and collect and disseminate information in order to protect the consumer from hazardous consumer products and to inform the public about the safe use of those products which are potentially hazardous if improperly handled.

Accidents and occupational safety.—In 1971 there were 115,000 deaths resulting from accidents—the leading cause of death for persons between the ages 1 and 37. In addition, 11.2 million people were disabled as a result of accidents.

The number of traffic accidents resulting in death was 54,700 in 1971, a decline for the second year despite increasing numbers of vehicles, drivers, and miles driven. Since half of the accidents involved drivers or pedestrians under the influence of alcohol, special program emphasis has been placed on treating alcoholism in 1974. Other highway safety programs involve hazard removal, use of international signs and automaking regulation. Federal outlays for prevention of traffic accidents are estimated to be \$190 million in 1974.

To combat hazards encountered in the work place, increased emphasis will be placed on developing criteria for occupational safety and health standards to be used by the Department of Labor.

Foreign health assistance.—In 1974, the United States will provide over \$186 million for disease prevention and control assistance in other nations. Efforts to accomplish this are undertaken by the Agency for International Development (AID), the Peace Corps, and international agencies to which the United States contributes financially, such as the World Health Organization and the Pan American Health Organization.

SPECIAL IMPACT PROGRAMS

Special impact programs are Federal programs which have been designed and targeted to health problems that are sufficiently unique to warrant special attention. These programs include drug abuse activities, the provision of family planning services, venereal disease prevention activities, and nursing home improvement efforts.

Drug abuse.—In response to, the growing national drug abuse problem, the Special Action Office for Drug Abuse Prevention was established. The Special Action Office coordinates and directs the Federal efforts in treatment, rehabilitation, education, and research relating to controlling the demand for drugs. In addition, the Office will provide in 1974 an estimated \$60 million for special treatment activities and research. Outpatient services for narcotic addicts will be stressed.

Obligations for drug abuse prevention activities will be \$528 million in 1974. Special Analysis R, *Federal Programs for the Control of Drug Abuse*, discusses these programs and drug abuse law enforcement efforts in detail.

Family planning.—As table J-25 indicates, obligations for family planning activities, conducted under several Federal programs, are estimated at \$234 million in 1974. Family planning services are funded primarily through the National Center for Family Planning Services, Medicaid, and the maternal and child health program in HEW. Recently enacted legislation will expand family planning services provided through Medicaid by increasing the Federal matching level to 90%. Efforts will be concentrated on providing services to low income persons.

Family planning research activities are supported by NIH and AID. Obligations for this research will increase from \$52 million in 1973 to \$56 million in 1974.

Table J-25. FAMILY PLANNING SERVICES AND RESEARCH
(dollars in millions)

	Obligations		
	1972 actual	1973 estimate	1974 estimate
Research.....	\$53	\$52	\$56
Department of Health, Education, and Welfare.....	\$47	\$46	\$49
Department of State: Agency for International Development.....	\$6	\$6	\$7
Services.....	\$144	\$163	\$178
Department of Health, Education, and Welfare.....	\$142	\$161	\$176
Department of Defense.....	\$2	\$2	\$2
Family planning programs, total.....	\$197	\$215	\$234
Number of people served, total.....	2, 822, 946	3, 066, 718	3, 275, 253
Number of males served.....	37, 730	41, 743	47, 614
Number of females served.....	2, 787, 216	3, 024, 975	3, 227, 639
Number of operating centers, total.....	2, 888	2, 970	3, 060
Number of rural centers.....	657	634	607
Number of urban centers.....	2, 231	2, 336	2, 453

Venereal disease.—Gonorrhea is the second most widespread contagious disease in the Nation and the incidence of syphilis is steadily rising. Federal programs targeted at these problems include research to find better diagnostic and treatment methods, surveillance of disease occurrence, case-finding and treatment. In 1974, Federal research on venereal disease is estimated to be \$1.2 million in obligations while obligations for diagnosis, case-finding, and treatment activities are estimated to be more than \$30 million.

Nursing home improvement.—The major Administration effort to upgrade the Nation's nursing homes and extended care facilities receiving Federal funds initiated in 1972 will be continued in 1974. Outlays of approximately \$12 million are anticipated in 1974.

In 1973 the initial effort to survey approximately 7,000 homes providing services under the Medicaid and Medicare programs was completed. As a result of these surveys approximately 8% of the homes were officially decertified or voluntarily withdrew from the programs. In addition to the continued survey of long-term care facilities, intermediate care facilities under the Medicaid program will also be surveyed in 1974.

All of the 1,800 currently identified State surveyors will have received formal surveyor training by December 1973. Approximately 20,000 nursing home employees will receive short-term training in 1974.

A major thrust in 1973 and 1974 will be the initiation of studies to assess quality of care, alternatives to long-term care, and data collection and analysis. This effort will provide the necessary background for a review of the Administration's policies and procedures concerning long-term care.

EXPENDITURES FOR HEALTH ACTIVITIES BY AGENCY

The following tables distribute the health-related outlays of Federal agencies by the categories used in this analysis. Except for HEW and parts of the Civil Service Commission, health-related outlays of all other agencies are, because of their major purpose, assigned to functions other than health (650) in part 4 of the Budget Document. The tables, therefore, indicate the predominant budget functional code for each agency. Other special analyses such as those on research and development, education, and manpower also include all Federal outlays in their areas. They will thus include, where pertinent, the same outlays that are tabulated in this analysis.

Table J-26. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1972
(in millions of dollars)

	Func- tional code	Health research	Training and education	Construc- tion	Organiza- tion and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Preven- tion and control of health problems	Total	Agency percent of total
Department of Health, Education, and Welfare:										
Food and Drug Administration.....	650	20	1	*				84	105	0.4
Health Services and Mental Health Administration.....	650	149	188	274	400	186	624	248	2,067	8.6
National Institutes of Health.....	650	1,090	458	174	23			6	1,752	7.2
Office of Education.....	650		17					10	27	.1
Social and Rehabilitation Service.....	650/700	17	9	14	2		4,621	32	4,696	19.5
Social Security Administration.....	650						8,819		8,819	36.7
Other.....	650		10	4			12		26	.1
Subtotal, HEW.....		1,276	683	466	425	186	14,077	380	17,493	72.8
Executive Office of the President.....										
Funds appropriated to the President.....	903							1	1	
Department of Agriculture.....	507/152	5	9	22	6		6	87	134	.5
Department of Commerce.....	350	49		*				190	238	.9
	507	4		2	1				6	

Department of Defense.....	051	126	123	100	*	1,842	542	10	2,743	11.4
Department of the Interior.....	910	31	*	7			6	1	45	.1
Department of Justice.....	908			4		15	10	11	40	.1
Department of Labor.....	607/609	*	156		3			52	210	.8
Department of State.....	150		5	*	9	*	1	23	38	.1
Atomic Energy Commission.....	058	98	*	*				27	125	.5
Environmental Protection Agency.....	404	2	3					1	6	
Department of Transportation.....	503	24	2	1	8	7		24	64	.2
Department of Housing and Urban Development.....	551			155	57				213	.8
National Aeronautics and Space Administration.....	250	60		*	3				63	.2
Veterans Administration.....	804	66	124	107	16	1,973	139		2,425	10.1
Civil Service Commission.....	906				*		110		110	.4
National Science Foundation.....	606	33	4						37	.1
Other agencies.....		2		3		*	*	2	8	.5
Agency contributions to employee health funds.....							522		522	2.4
Total outlays for health, 1972.....		1,776	1,110	867	528	4,026	15,413	810	24,531	100.0

*Less than \$500,000.

Table J-27. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1973
(in millions of dollars)

	Functional code	Health research	Training and education	Construction	Organization and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Prevention and control of health problems	Total	Agency percent of total
Department of Health, Education, and Welfare:	650									
Food and Drug Administration.....	650	33	1	3				119	156	0.6
Health Services and Mental Health Administration...	650	144	183	239	515	210	634	280	2,205	8.5
National Institutes of Health.....	650	1,175	643	153	32			6	2,008	7.7
Office of Education.....	650		17					17	34	.1
Social and Rehabilitation Service.....	650/700	20	11	17	3	1	4,313	50	4,415	17.0
Social Security Administration.....	650						9,573		9,573	36.9
Other.....	650		10	14	1		13		38	.1
Subtotal, HEW.....		1,371	865	425	550	211	14,532	472	18,427	71.1
Department of Agriculture.....	350	50		*				220	270	1.0
Department of Commerce.....	507	4		4	*				8	

Department of Defense.....	051	152	142	161	1	1,985	650	13	3,104	11.9
Department of the Interior.....	910	34	*	9			7	1	51	.1
Department of Justice.....	908			2		18	14	20	54	.2
Department of Labor.....	607/609	1	188		3			40	231	.8
Department of State.....	150		6	*	11	*	1	23	41	.1
Atomic Energy Commission.....	058	104	*	1				39	144	.5
Environmental Protection Agency.....	404	5	5					4	14	
Department of Transportation.....	503	43	2	*	8	7		38	97	.3
Department of Housing and Urban Development.....	551			150	67				217	.8
National Aeronautics and Space Administration.....	250	105		1	3				109	.4
Veterans Administration.....	804	71	155	115	19	2,206	171		2,738	10.5
Civil Service Commission.....	906				*		138		138	.5
National Science Foundation.....	606	35	5						40	.1
Other agencies.....		22	10	24	7	5	24	119	211	.7
Agency contributions to employee health funds.....							573		573	1.5
Total outlays for health, 1973.....		1,997	1,379	891	670	4,432	16,110	988	26,466	100.0

*Less than \$500,000.

Table J-28. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1974
(in millions of dollars)

	Functional code	Health research	Training and education	Construction	Organization and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Prevention and control of health problems	Total	Agency percent of total
Department of Health, Education, and Welfare:										
Food and Drug Administration.....	650	33	1	4				126	163	0.5
Health Services and Mental Health Administration...	650	141	164	228	501	181	70	256	2,171	7.2
National Institutes of Health.....	650	1,295	607	182	28			16	2,128	7.0
Office of Education.....	650							15	15	
Social and Rehabilitation Service.....	650/700	17	8	11	3	1	5,201	48	5,289	17.4
Social Security Administration.....	650						12,096		12,096	39.9
Other.....	650		12	11			14		37	.1
Subtotal, HEW.....		1,486	792	436	532	182	18,011	460	21,900	73.7
Department of Agriculture.....	350	48		1				221	270	.9

Department of Commerce.....	507	5		3	*				8	
Department of Defense.....	051	152	173	211	2	2,022	770	14	3,345	11.0
Department of the Interior.....	910	29	*	5			9	1	44	.1
Department of Justice.....	908			3		20	10	22	55	.2
Department of Labor.....	607/609		134		2			54	190	.7
Department of State.....	150		7	*	14	*	1	23	45	.1
Atomic Energy Commission.....	058	113	*	2				54	169	.6
Environmental Protection Agency.....	404	6	5					6	17	
Department of Transportation.....	503	56	2		9	7		31	105	.3
Department of Housing and Urban Development.....	551			150	69				219	.7
National Aeronautics and Space Administration.....	250	117		1	2				120	.4
Veterans Administration.....	804	75	164	104	21	2,239	186		2,789	9.2
Civil Service Commission.....	906				*		125		126	.4
National Science Foundation.....	606	38	6						44	.1
Other agencies.....		22	11	27	6	6	24	159	255	.8
Agency contributions to employee health funds.....							623		623	2.1
Total outlays for health, 1974.....		2,147	1,293	943	659	4,475	19,759	1,047	30,323	100

*Less than \$500,000.

SPECIAL ANALYSIS K

FEDERAL INCOME SECURITY PROGRAMS

This analysis is a compilation of those Federal activities for which a major objective is increasing the real income of identifiable individuals or groups, particularly (but not exclusively) those at the lower end of the income scale. The programs included in this analysis are divided into three broad categories:

- Cash benefits (including, for example, social security);
- In-kind benefits (including, for example, food stamps); and
- Tax transfers (including, for example, the double exemption for the elderly).

OVERVIEW

Total Federal income security benefits—within the definitions used in this analysis—are estimated to exceed \$115 billion in 1974. This represents an increase of more than \$24 billion, or about 27%, from the 1972 total of slightly over \$91 billion.

The major items accounting for this change are:

- An increase of almost \$15 billion in OASDI benefits, largely reflecting the recent 20% benefit increase;
- An increase of \$3.6 billion in health care benefits, primarily in the Medicare program;
- An increase of \$2.4 billion in benefits for Federal employees, about equally divided between military and civilian retirement benefits;
- An increase of \$1.5 billion in tax transfers, largely reflecting an increase in nontaxable benefits under social security; and
- An increase of \$1.5 billion in public assistance benefits, partly due to the shift to full Federal funding of welfare for the aged, blind, and disabled.

Table K-1. FEDERAL INCOME SECURITY BENEFITS

	1972 actual	1973 estimate	1974 estimate
Federal outlays for cash benefits (millions):			
Social security (OASDI).....	38,587	47,565	53,199
Federal employee benefits.....	8,284	9,657	10,703
Veterans benefits.....	6,141	6,548	6,254
Public assistance.....	5,567	5,991	6,929
Unemployment insurance.....	6,098	5,257	4,632
Railroad retirement.....	2,108	2,427	2,534
Other programs.....	534	1,504	1,083
Proposed legislation included above.....			(344)
Subtotal, outlays, cash benefits.....	67,319	78,949	85,334
Federal outlays for in-kind benefits (millions):			
Food and nutrition.....	3,422	3,849	3,883
Health care.....	13,093	13,565	16,721
Housing.....	1,117	1,652	1,982
Proposed legislation included above.....			(-527)
Subtotal, outlays, in-kind benefits.....	17,632	19,066	22,586
Tax transfers (millions):			
Benefits to the aged.....	4,300	4,730	5,590
Benefits to veterans.....	435	480	525
Benefits to welfare recipients and working mothers.....	95	250	265
Benefits to disabled.....	1,495	1,435	1,405
Subtotal, tax transfers.....	6,325	6,895	7,785
Total benefits.....	91,276	104,910	115,705
Federal outlays for administration.....	2,509	2,893	2,880

The only decrease of sizable proportions is in unemployment insurance benefits, which are expected to drop by about \$1.6 billion under the impact of declining unemployment.

MAJOR LEGISLATION

Two pieces of recent legislation are of major importance in the area of income security. One is the 20% across-the-board increase in social security benefits mentioned above. The other is the Social Security Amendments of 1972, commonly referred to as H.R. 1.

These amendments altered a great many provisions of present law. Particularly noteworthy are the following:

- A new Federal program of supplemental security income, to provide a basic cash payment for needy adults who are aged, blind, or disabled;
- Medicare benefits for the disabled and for those suffering from chronic kidney disease;
- Greater discretion for the States with respect to the benefits to be made available under the Medicaid program; and
- Numerous liberalizations of the OASDI program, including a substantial increase in widows' benefits.

TARGET GROUPS

Federal income security programs maintain or supplement income of persons and families whose capacity for self-support is reduced by old age, disability, illness, unemployment, poverty, or death.

Where self-support is possible in part, or in the future, income security programs provide temporary or supplementary support. Where self-support is not possible, income security programs provide basic income support.

The analysis below is organized by target group; that is, programs are discussed as they affect people who share similar problems and circumstances—the aged (annuitants and others), the unemployed, mothers with small children and no breadwinner, and those low-income persons who do not earn enough to provide for basic needs.

Table K-2. INCOME SECURITY BENEFITS BY TARGET GROUPS

	1972 estimate	1973 estimate	1974 estimate	Per- cent of total 1974	Change 1972-74	Percent change 1972-74
Annuitants.....	\$23, 213	\$28, 356	\$31, 473	27.2	\$8, 260	35.6
Other aged.....	29, 667	33, 571	37, 667	32.5	8, 000	27.0
Disabled.....	13, 115	15, 994	18, 587	16.1	5, 472	41.7
Mothers and children.....	7, 006	8, 170	8, 905	7.7	1, 899	27.1
Temporarily unemployed.....	6, 602	5, 692	4, 961	4.3	-1, 641	-24.9
Other transitional low-income.....	5, 792	6, 439	6, 733	5.8	941	16.2
Other.....	5, 881	6, 688	7, 379	6.4	1, 498	25.5
Total.....	91, 276	104, 910	115, 705	100	24, 429	26.8

The aged continue to account for more than half of income security benefit outlays, with annuitants receiving 27% of total income security benefit outlays, and other aged an additional 32%.

The disabled (\$18.6 billion), mothers and children (\$8.2 billion), the temporarily unemployed (\$5.0 billion), and other transitional low-income (\$6.7 billion) benefit from another 33% of such outlays.

Benefits to the disabled and to annuitants had the largest relative increases from 1972 to 1974, 42% and 36%, respectively, and became larger shares of the total.

Outlays benefiting the temporarily unemployed declined by 25%, representing a much smaller portion of total income security outlays in 1974 than in 1972.

THE AGED

Income security benefits for the elderly consist of wage replacement for heads of households severed from full-time gainful employment, benefits to women who depended on their husband's incomes as the main sources of support, and assistance to those who were needy before they became aged.

The largest source of income security benefits for the elderly stem from employment-related retirement programs. Of these, the largest by far is the social security system, which will provide payments of

\$41.5 billion in 1974 to 14.2 million retired workers, their 3.9 million dependents, and to 3.8 million elderly widows. Of these beneficiaries, 19.2 million are 65 or over. Benefits to these groups will rise by 37% from 1972 to 1974, largely reflecting the recent 20% increase.

Other employment-related programs will provide \$8.8 billion in 1974, or some 17% of total cash outlays benefiting the aged. These benefits are estimated to exceed by 29% their 1972 levels, a somewhat slower rate of expansion than that for social security benefits—37% over the 2-year period. However, benefits to retired Federal civilian employees will increase 37% due to cost-of-living-adjustments and increased retirement now resulting from expansion of the Federal Government in the 1940's. Liberalized eligibility requirements result in a 63% increase in benefits to widows of coal miners who suffered from black lung disease.

The remaining cash benefits for aged persons are income-tested. In 1972, \$2.2 billion of public assistance grants and other benefits assisted needy aged persons.

Table K-3. INCOME SECURITY BENEFITS FOR THE AGED

	Benefits (millions)			Percent change 1972-74
	1972 actual	1973 estimate	1974 estimate	
Covered employment:				
Social security (OASI) members.....	30,205	37,148	41,478	37
Railroad employees.....	1,865	2,173	2,293	23
Federal civilian employees.....	2,707	3,269	3,676	36
Uniformed services members.....	1,039	1,153	1,259	21
Coal miners' widows.....	97	166	158	63
Public assistance and other income-tested.....	2,168	2,179	2,671	23
Subtotal, cash benefit outlays.....	38,081	46,088	51,535	35
Medicare.....	8,363	9,090	9,819	17
Medicaid.....	1,726	1,477	1,679	-3
Other in-kind.....	394	522	497	26
Subtotal, in-kind benefit outlays.....	10,483	11,089	11,995	14
Tax transfers.....	4,300	4,730	5,590	30
Total.....	52,864	61,907	69,120	31

In the second half of 1974, 4.6 million aged persons will receive \$1.2 billion in benefits under the new Federal supplemental security income program, for a total of \$2.7 billion in need-related cash assistance in 1974. Changes in the veterans pension program will relate assistance under that program more closely to need.

The elderly receive considerable additional benefits from in-kind and tax transfer programs. In 1974, in addition to receiving an estimated 59% of total income security cash outlays, the elderly will receive 53% of total in-kind benefits and 72% of total income security tax transfers.

Since enactment of Medicare in 1965, the aged have been the beneficiaries of a unique income security program for medical services. All persons over 65 with social security coverage, those who were age

65 and over in the year of enactment, and certain others are automatically provided with insurance for hospitalization and subsequent nursing home and home health care services, and can elect supplementary medical insurance which covers doctors' services and other outpatient services. Twenty-one million persons are now covered by this program with 10.7 million having benefits paid on their behalf. Medicare's cost-sharing provisions are being reformed to reduce the financial burdens of lengthy hospitalization while providing stronger incentives against inappropriate or uneconomic use of services.

Medicaid in 1974 will furnish \$1.7 billion of medical services to needy aged persons. Medicaid covers costs of health care, the SMI premium under Medicare, and the cost-sharing required by Medicare for those aged persons not able to meet these expenses from their own resources. Medicaid has State-determined eligibility and benefit levels. Benefits will decline somewhat in 1973 due to States exercising greater discretion with respect to the services to be made available under Medicaid. Benefits will rise again in 1974 as a result of increased caseload under the supplemental security income program.

Other in-kind program benefits received by the aged provide food and shelter on an income-tested basis. For example, needy aged families occupy nearly one-third of all subsidized housing.

Participation of needy aged persons in food stamp and commodity surplus distribution will decline in the second half of 1974 due to the exclusion of those eligible for benefits under the supplemental security income program.

Specific provisions of the Federal personal income tax are designed to benefit the aged. The major dollar impacts accrue from the extra exemptions available to all persons 65 or over, from the exclusion of social security benefits from tax liability, and the retirement income credit. The net supplementation of the spending power of the retired and elderly achieved by these particular tax law provisions is an estimated \$5.6 billion in 1974. The increase is due largely to increased social security benefits and a larger extra exemption.

Annuitants.—There are four federally run contributory retirement systems: social security (OASI), railroad retirement, civil service, and the foreign service retirement system. Outlays for these four programs represent benefits paid to retired persons who made contributions to these trust funds during their working life.

The coverage of these retirement plans is suggested by their names, with social security reaching most wage and salary workers and many self-employed persons in the United States.

In all four systems, the benefit calculations are based upon the history of contributions.

Under old-age and survivors insurance (OASI), 12,226,000 retired workers received pensions in 1972 related to the amounts paid into the system. Some 391,000 recipients in 1972 are primary beneficiaries under the railroad retirement system, but about 40% of these retirees are also recipients of social security benefits. A total of 562,000 persons are beneficiaries of the civil service retirement system and 2,100 of the foreign service retirement system, with little or no overlap between these two Federal employee systems. At least 40% of

beneficiaries of the two Federal civilian employee systems are also receiving social security.

The probable total number of primary beneficiaries of all the contributory retirement systems is thus 11.7 million persons in 1972 and 12.8 million in 1974.

Table K-4. ANNUITIES TO PRIMARY BENEFICIARIES IN CONTRIBUTORY RETIREMENT SYSTEMS: ANNUITY BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENTS

	Benefit outlays (millions)			Number of primary beneficiaries (thousands)			Average monthly payments		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Old-age and survivors insurance.....	19,630	24,064	26,731	11,172	11,686	12,226	148	180	183
Railroad Retirement Board.....	1,162	1,346	1,423	391	394	384	247	284	299
Civil Service Commis- sion.....	2,399	2,922	3,292	562	618	649	355	394	423
Foreign Service re- tirement.....	22	24	27	2	2	2	883	905	919
Total.....	23,213	28,356	31,473	-----	-----	-----	-----	-----	-----

Outlays of the social security system constitute a fairly constant 85% of the annuities to the primary beneficiaries under the four contributory retirement systems. These annuity-type outlays were \$23.2 billion in 1972 and will rise to \$31.5 billion in 1974, an increase of 36%.

There is a wide range among the systems in the average benefit per primary beneficiary, reflecting the differences among them in contribution rates—from \$183 per month for OASI to \$919 per month for the foreign service.

Other aged.—This category includes those programs or parts of programs which benefit the aged, but where the benefit outlay to a specific individual is based upon criteria other than his or her own contribution. The criteria of the program may be a contributions history of some related person, and is not necessarily based on any measure of need. This definition includes benefits to aged widows under contributory retirement programs, and to the widows of uniformed servicemen; benefits to the wives of annuitants which are based upon the husband's contribution history; the minimum benefit payments under social security and railroad retirement which, in effect, put a floor under the payments made based on earnings; payments to aged retirees from the uniformed services who make no contribution to their retirement system; public assistance to the aged; Medicaid benefits to elderly persons; Medicare; and certain in-kind benefits to needy, aged persons. Underlying all these program outlays is the presumption that persons past a certain age (for example, 65) are generally not self-supporting through their own current earnings.

Average monthly cash benefits range from \$43 for public assistance recipients to \$526 for aged retirees from the uniformed services in 1974.

Table K-5. **BENEFITS FOR THE AGED EXCEPT ANNUITIES TO PRIMARY BENEFICIARIES: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT**

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Benefits to aged widows:									
Social security (OAS-DI) members.....	5,797	7,525	8,896	3,919	4,113	4,453	113	138	157
Railroad employees....	403	497	522	282	284	286	117	146	150
Federal civilian employees.....	286	323	357	161	166	178	147	162	166
Uniformed services members.....	684	737	755	611	634	661	93	96	95
Coal miners.....	97	166	158	42	60	81	161	161	161
Benefits to aged wives of living retirees:									
Social security (OAS-DI) members.....	2,812	3,381	3,697	3,128	3,192	3,280	74	88	93
Railroad employees....	282	309	326	212	213	214	111	121	125
Minimum benefit payments:									
Social security (OAS-DI) members.....	1,623	1,758	1,683	2,258	2,152	2,043	59	68	68
Railroad employees....	18	21	21	16	15	14	93	118	125
Dependents of aged retirees:									
Social security (OAS-DI) members.....	360	440	492	565	587	624	53	62	65
Aged retirees uniformed services.....	354	416	504	70	75	80	421	462	526
Aged veterans.....	1,002	1,004	901	1,161	1,170	1,162	108	109	96
Medicare.....	8,363	9,090	9,819	10,600	10,700	10,700	66	71	76
Public assistance to the aged, including refugees and Indians:									
Old-age assistance....	1,166	1,174	1,570	2,083	2,048	2,041	48	48	46
Supplemental security income.....	-----	-----	² 1,200	-----	-----	4,600	-----	-----	43
Medicaid.....	1,726	1,477	1,679	3,800	4,000	5,152	37	30	27
In-kind benefits to needy aged:									
Food.....	164	180	95	1,300	1,297	1,281	10	11	6
Housing.....	230	343	402	304	346	408	62	84	84
Tax transfers.....	4,300	4,730	5,590	-----	-----	-----	-----	-----	-----
Total.....	29,667	33,571	37,667	-----	-----	-----	-----	-----	-----

¹ Benefits for first half of year.² Benefits for second half of year.

Aged widows.—Aged widows account for \$10.7 billion in benefit outlays in 1974—or 28% of all benefits to the aged outside of annuities to primary beneficiaries. The 47% increase in benefit outlays to aged widows between 1972 and 1974 is due largely to the increase in widows benefits to 100% of her deceased husband's primary insurance amount and increased benefit levels under the railroad retirement system. Some 4.5 million aged widows will receive benefits from social security in 1974 with 1.2 million widows covered in other programs. There is

considerable overlap of these other program beneficiaries with those covered by social security.

Widows of annuitants under the four contributory retirement systems have limited entitlement to annuities after the death of the primary beneficiary. For example, there is incomplete vesting—or the automatic right to benefits. Remarriage of the widow may, depending upon the particular program, terminate the widow's benefit based upon her husband's contribution. Under social security, benefits depend upon age (between 65 and 60, at a reduced rate) and other earned income. Civil service benefits for widows depend upon the election by the retiree of benefits financed through a reduction in his own annuity while still living, and are available to the widow regardless of age or other income.

Retired members of the uniformed services similarly can elect a reduced annuity to provide survivors benefits. For veterans benefits, the surviving widow of a veteran who died due to a service-connected disability is entitled to survivors benefits, and the widow of any veteran of wartime service may qualify for an income-tested pension.

Military retirement or dependents' indemnity compensation benefits to widows are not adjusted for income, while pensions for veterans' widows are so adjusted (with 10% of social security benefits excluded from countable income).

Aged wives of retirees.—Under OASI and railroad retirement, \$4.0 billion will be paid in 1974 as benefits to women in their capacity as wives of covered retirees. This entitlement is independent of any contribution history of their own, and requires only that they exceed a particular age, although it will vary with both her husband's and her own earned income. Where a wife has dual entitlement under social security based upon her earnings history, as well as her husband's she will receive only the larger benefit. In the railroad retirement system, she receives both benefits. In 1974, 476,000 wives will have dual entitlement under social security in which the wife's benefit exceeds the benefit based upon own earnings.

Payments based on the minimum.—In 1972, \$1.6 billion of social security outlays were paid in the form of statutory minimum amounts to retired workers, to the dependents of such retired workers, and to noninsured beneficiaries age 72 and over. This will remain fairly constant at \$1.7 billion in 1974 as new retirees come into the system with contributions over the minimum. A total of 2.3 million persons received such minimum benefit payments in 1972, which will fall to 2.0 million during 1974.

Aged retirees of the uniformed services.—The retirement systems for the uniformed and military services are wholly federally financed and therefore the benefits paid cannot be related to a contribution history. Aged retirees from the military and other uniformed services (those over 65) received \$354 million of benefits in 1972 and will receive an estimated \$504 million in 1974, an increase of 42%. This increase is due in large part to a new benefit plan for survivors and to increases in annuities of current military retirees as they reach normal retirement age. There are 80,000 persons under these programs at an average benefit of \$526 per month in 1974.

Disabled.—The disabled constitute the second target group for whom there is a presumption of permanent inability to achieve self-support. Eligibility for an income security benefit for the disabled

person may be based on: Membership in a contributory retirement system (OASDI, or civil service), on military service, on occupation (coal miner), or on indigency (welfare).

The disabled will receive \$13.1 billion in 1972 and these benefits will reach \$18.6 billion in 1974—an increase of more than one-third. The increases are distributed among: Disability insurance provisions of retirement system; assistance to adults and disabled male heads of families; Medicare; and special benefits to disabled coal miners.

Members of the social security system and the railroad retirement system are eligible for retirement benefits computed on their earnings history to the date of permanent disability. They receive additional benefits for dependent children residing with them although not for a nonaged wife. Federal civilian employees receive a disability benefit based on total disability for his previous occupation—paying a minimum benefit of 40% of the average of his highest 3 years of earnings. However, when he reaches age 65 this benefit is decreased to the retirement annuity to which his contributions to date of disability retirement actually entitled him.

Table K-6. **BENEFITS FOR THE DISABLED: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT**

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Civilian covered employment:									
Disability insurance.....	4,046	5,242	6,104	2,930	3,228	3,511	180	218	221
Federal civilian employees.....	784	953	1,075	235	258	272	278	307	329
Railroad employees.....	129	131	139	38	40	39	230	273	297
Coal miners.....	236	1,099	684	156	280	445	225	225	225
Medicare for the disabled.....			1,591			1,200			222
Uniformed services:									
Military service-connected disability.....	3,419	3,755	3,721	3,078	3,116	3,115	92	100	99
Other: non-income-tested.....	636	710	744	156	160	164	340	369	377
Other: income-tested.....	468	469	360	760	757	770	52	52	39
Public assistance to the disabled, including refugees and Indians:									
Aid to the blind.....	59	62	¹ 30	79	81	84	61	63	60
Aid to the permanently and totally disabled.....	714	839	¹ 456	1,050	1,185	1,356	56	59	55
Supplemental security income.....			² 650			1,600			
AFDC (disabled male head of family).....	390	422	434	1,128	1,232	1,345	28	28	27
Medicaid.....	992	924	1,097	1,832	2,137	2,547	45	36	35
In-kind benefits to needy disabled:									
Food.....	110	120	68	1,161	1,172	1,161	7	8	4
Housing.....	2	3	4	3	5	7	56	50	48
Tax-transfers.....	1,130	1,265	1,430						
Total.....	13,115	15,994	18,587						

¹ Benefits for first half of year.

² Benefits for second half of year.

The uniformed services have an entirely different method of computing benefits to the disabled. Rather than relating benefits to previous levels of earnings, they are scaled to the degree of physical impairment. Disability retirement from the military, and veterans compensation and indemnities, are both provided for disabilities which are presumptively service-connected. Veterans' pensions provide benefits to persons who have seen wartime military service for non-service-connected but presumptively total disability where financial need can be demonstrated.

Under the Federal Coal Mine Health and Safety Act, compensation is paid to black lung victims in amounts related to the workmen's compensation law provided for Federal employees (FECA). Eligible persons began registering for benefits in the spring of 1970. They will receive a one-time retroactive benefit in 1973. By 1974, benefits to disabled coal miners will be paid in the amount of \$684 million.

About \$5.2 billion of cash benefits were provided to the disabled covered by retirement systems in 1972. These benefits will increase by 54% to \$8.0 billion in 1974. This is mainly a result of: Benefit increases and liberalized eligibility requirements for disability insurance and special benefits to disabled coal miners; and an automatic cost-of-living adjustment and increased retirement under the civil service retirement system.

In addition, extension of Medicare benefits to persons eligible for social security and railroad retirement disability benefits for 2 years will provide \$1.6 billion of in-kind benefits to the disabled in 1974. Coverage will also be extended to persons covered by social security and their families who require treatment for chronic kidney disease.

Public assistance currently is provided for disabled persons under three categories: The blind, the permanently and totally disabled, and the disabled heads of families who meet the asset and income eligibility tests for aid to families with dependent children. There are great diversities among the program benefits, depending upon the State of residence. Beginning in 1974, 1.6 million needy disabled will receive assistance under the supplemental security income program enacted in 1972. Federal benefit outlays, provided according to national eligibility requirements and benefit levels, will be \$650 million, compared to benefits of \$480 million provided in the first half of the year to 1.4 million disabled under State administered public assistance programs. In-kind benefits to the disabled for food will decline in 1974 due to the replacement of food assistance by cash under the new Federal program.

Approximately 2,930,000 persons receive disability benefits under social security. Another 235,000 individuals receive benefits through

Federal civilian employee programs. Allowing for overlap, some 3.1 million persons receive disability benefits calculated on their previous earnings. In 1972 there were 136,000 veterans under age 65 receiving disability benefits under military retirement, 2,521,000 (under 65) receiving veterans compensation, and 469,000 (under 65) receiving veterans pensions; in total, 3.1 million persons receive disability benefits based upon uniformed service. It is estimated that by 1974, 445,000 disabled coal miners will be receiving special benefits under the black lung program, almost triple the number in 1972.

Approximately 2.3 million adults and children are supported by welfare payments predicated upon the disability of the adult. Nearly all of these persons are eligible for Medicaid benefits. It is estimated that in 1974, 3.0 million adults and children will be supported by public assistance based on disability.

Mothers and dependent children.—Benefit eligibility varies considerably for this last target group for whom self-support is not assumed to be universally possible. This group includes mothers with dependent children, and no male breadwinner.

These mothers receive income security benefits under two types of programs, the first being related to the employment of a deceased husband. In 1972, \$4.0 billion was provided to widows of covered employees under OASDI. This will reach \$5.2 billion in 1974, a 32% overall increase due mainly to the 20% increase in benefits in 1973. Some 1.3 million families receive survivors benefits from social security, and an additional 350,000 families received benefits under other employment-related programs. These benefits parallel widows benefits under each of the systems with the addition of allowances for dependents.

Beginning in 1970, benefits are provided to widows and children of deceased coal miners who suffered from black lung disease. By 1974, these outlays will reach \$36 million for this target group. It is estimated that 9,000 families will receive these benefits, with seven-eighths of these families also receiving social security benefits.

The second type of assistance to mothers with dependent children are means-tested programs—dominated by welfare. Approximately \$1.8 billion of cash payments was made in 1972 to women with preschool children. These 1.3 million AFDC families with pre-schoolers received an additional \$841 million of medical services. Estimates are not available for the other in-kind benefits provided to this group. Cash payments and medical services to female-headed AFDC families with pre-school children will reach \$3.0 billion in 1974.

Table K-7. BENEFITS FOR MOTHERS WITH DEPENDENT CHILDREN AND NO HUSBAND: BENEFITS, BENEFICIARIES AND AVERAGE PAYMENT

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Benefits to widows of covered employees:									
Social security (OASDI) members.....	3,964	4,784	5,216	3,365	3,456	3,596	98	115	120
Railroad employees.....	24	25	26	12	12	11	154	179	185
Federal civilian employees.....	84	95	104	42	43	46	167	182	187
Uniformed service members.....	260	295	319	304	326	346	71	75	76
Coal miners.....	21	37	36	15	20	27	259	259	259
Public assistance (AFDC) mothers with preschool children:									
Cash payments.....	1,782	1,929	1,981	5,162	5,632	6,154	29	29	27
Medical services.....	841	830	1,043	7,380	8,561	9,588	9	8	9
Tax transfers.....	30	175	180	-----	-----	-----	-----	-----	-----
Total	7,006	8,170	8,905	-----	-----	-----	-----	-----	-----

Cash benefits vary widely for mothers with dependent children, from \$87 per family under AFDC to \$453 for the family of a deceased coal miner who suffered from black lung disease. The principal tax benefit affecting this target group is deductibility of child care expenses. This benefit has been substantially liberalized, increasing the maximum amount deductible from \$900 for two or more children if income is less than \$6,000 to \$4,800 (or \$92 per week) for three or more children for family income up to \$18,000.

Transitional low income.—The bulk of the population of the United States—52%—are able-bodied men and women, as compared to 10% who are aged. A much smaller proportion of the beneficiaries and outlays under programs are made on behalf of the able-bodied temporary poor.

The intent of income security outlays for able-bodied men and women is to tide over such persons during intervals when they cannot support themselves, until other measures correct the causes of such inability to provide self-support.

The major system of unemployment insurance, constituting 91% of unemployment benefits paid in 1972, is State-administered. This means that provisions, benefit levels, and duration of benefit availability vary. Some 6.3 million persons were aided with unemployment insurance in 1972 and it is anticipated that 6.7 million persons will receive unemployment benefits in 1974. These outlays total \$6.0 billion in 1972, declining to \$4.5 billion in 1974, in response to a decrease in the unemployment rate.

Table K-8. BENEFITS FOR TRANSITIONAL LOW-INCOME AND OTHER: BENEFITS, BENEFICIARIES AND AVERAGE PAYMENT

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.	1972 actual	1973 est.	1974 est.
Temporary unemployment:									
Unemployment insurance system.....	5,978	5,152	4,534	6,300	6,951	6,728	79	61	56
Other unemployment benefits.....	624	540	427	588	591	421	88	76	84
Long-term unemployment:									
Unemployed fathers.....	262	287	291	757	828	899	28	28	26
Mothers with all children in school.....	1,206	1,305	1,342	3,492	3,815	4,164	28	28	26
Other income-tested ¹	14	17	11	21	22	11	54	67	85
In-kind benefits, low income:									
Food ²	1,808	2,104	2,312	28,712	31,841	30,407	5	5	6
Housing ²	769	1,142	1,136	1,027	1,194	1,434	62	79	66
Medical.....	868	859	1,056	7,620	8,839	9,900	9	8	9
Tax transfers.....	865	725	585	-----	-----	-----	-----	-----	-----
Subtotal, transitional low income.....	<u>12,394</u>	<u>12,131</u>	<u>11,694</u>	-----	-----	-----	-----	-----	-----
Uniformed services retirees under 65.....	2,966	3,473	3,910	648	695	741	381	416	439
Food for nonneedy children.....	497	535	350	28,955	29,978	20,859	1	1	1
Other.....	2,418	2,680	3,119	-----	-----	-----	-----	-----	-----
Subtotal, other.....	<u>5,881</u>	<u>6,688</u>	<u>7,379</u>	-----	-----	-----	-----	-----	-----
Total.....	<u>18,275</u>	<u>18,819</u>	<u>19,073</u>	-----	-----	-----	-----	-----	-----

¹ Includes all AFDC-related assistance to refugees and Indians.

² Includes all benefits to AFDC and UF families.

There are also unemployment benefits programs for Federal employees and ex-servicemen, railroad employees, and for unemployed workers in industries adversely affected by foreign trade. These programs are federally financed, but except for railroad retirement unemployment insurance, are State-administered.

A second set of programs providing income security benefits to able-bodied men and women are means-tested cash and in-kind benefit programs. Approximately 1.5 billion was spent in 1972 under cash assistance to families with able-bodied unemployed fathers, cash assistance to families in the AFDC program with all children in school and to Cuban refugees and Indians. In-kind food, housing, and medical service benefits were provided through Medicaid, public housing, food stamps, child nutrition programs, and commodity distribution to these and other low-income families and children. These outlays will reach a level of \$4.5 billion in 1974.

Additional benefit outlays to able-bodied men and women are made to uniformed services retirees under the age of 65. Some 648,000 persons received \$3.0 billion upon retirement after at least 20 years of service in the military forces. This outlay will reach \$3.9 billion in 1974 with the enactment of proposals now before Congress.

Table K-9. FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM

Department, agency and program	Benefit outlays (in millions of dollars)		
	1972 actual	1973 estimate	1974 estimate
Department of Health, Education, and Welfare:			
Social security:			
Old-age and survivors insurance.....	34,541	42,323	47,095
Disability insurance.....	4,046	5,242	6,104
Hospital insurance.....	6,108	6,645	8,578
Supplementary medical insurance.....	2,255	2,445	2,832
Public assistance:			
Maintenance payments.....	5,567	5,991	6,929
Medicaid.....	4,426	4,090	4,875
Special benefits for disabled coal miners.....	397	1,438	978
Assistance to refugees.....	100	124	86
Public health service officers retirement.....	13	17	20
Medical care for retired commissioned officers.....	3	4	4
Proposed legislation included above.....	-----	-----	(-837)
Total, Health, Education, and Welfare.....	57,456	68,319	77,501
Veterans Administration:			
Disability and dependency and indemnity compensation.....	3,485	3,796	3,736
Veterans and survivors pensions.....	2,531	2,614	2,429
Life insurance (net subsidy).....	22	21	16
Other veterans benefits.....	103	116	73
Proposed legislation included above.....	-----	-----	(-277)
Total, Veterans Administration.....	6,141	6,547	6,254
Department of Labor:			
Unemployment insurance (State programs).....	5,978	5,152	4,534
Railroad unemployment.....	120	105	98
Unemployment compensation for Federal Employees and ex-servicemen.....	543	475	365
Employee compensation.....	190	225	251
Total, Labor.....	6,831	5,957	5,248
Department of Defense—Military:			
Military retirement.....	3,885	4,447	5,106
Medical care for retirees.....	300	381	432
Proposed legislation included above.....	-----	-----	(370)
Total, Defense.....	4,185	4,828	5,538
Department of Agriculture:			
Food stamps.....	1,842	2,106	2,108
Child nutrition.....	1,146	1,380	1,480
Special milk.....	93	93	37
Removal of surplus commodities.....	341	270	258
Total, Agriculture.....	3,422	3,849	3,883

Table K-9. FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM—Continued

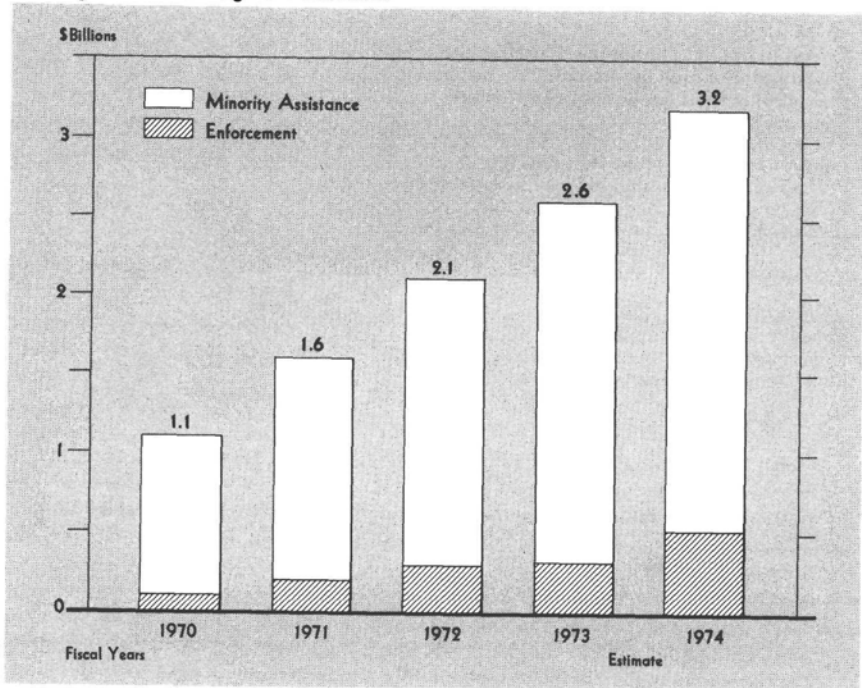
Department, agency and program	Benefit outlays (in millions of dollars)		
	1972 actual	1973 estimate	1974 estimate
Civil Service Commission:			
Civil service retirement.....	3,555	4,285	4,817
Special annuities (CSC).....	1	1	1
Total, Civil Service Commission.....	3,556	4,286	4,818
Railroad Retirement Board:			
Railroad retirement.....	2,108	2,427	2,534
Proposed legislation included above.....			(561)
Total, Railroad Retirement Board	2,108	2,427	2,534
Department of Housing and Urban Development:			
Public housing.....	744	1,110	1,250
Rent supplements.....	75	117	157
Interest supplements.....	299	425	575
Total, Housing and Urban Development.....	1,117	1,652	1,982
Department of Transportation:			
Coast Guard retirement.....	71	77	81
Total, Transportation.....	71	77	81
Department of State:			
Foreign Service retirement.....	26	29	32
Total, State.....	26	29	32
Department of the Interior:			
General assistance to Indians.....	37	42	47
Total, Interior.....	37	42	47
Department of Commerce:			
NOAA officers retirement.....	1	2	2
Total, Commerce.....	1	2	2
Tax transfers:			
Benefits to the aged.....	4,300	4,730	5,590
Benefits to veterans.....	435	480	525
Benefits to welfare recipients and working mothers.....	95	250	265
Benefits to disabled.....	1,495	1,435	1,405
Total, tax-transfers.....	6,325	6,895	7,785
Total, Federal outlays.....	91,276	104,910	115,705

SPECIAL ANALYSIS L
FEDERAL CIVIL RIGHTS ACTIVITIES

COVERAGE AND SCOPE OF THE ANALYSIS

This analysis of Federal civil rights activities comprises more than the traditional programs and policies related to civil rights enforcement. In addition to Federal activities regarding the protection of such rights as voting, public accommodations, fair housing, and equal employment opportunity in the public and private sectors, there are included Federal programs specifically related to the provision of equality of other opportunities to certain identifiable minority groups. The latter programs include activities in desegregation assistance, civil rights research and information dissemination, and the conciliation and prevention of racial disputes. Total outlays have risen from \$1.1 billion in 1970 to \$3.2 billion in 1974.

Outlays for Civil Rights Activities



Further, there are included in this analysis programs which have as their goal the broadening of economic participation on the part of minorities including the achievement of self-determination by American Indians. These programs include the efforts of Federal agencies to foster minority business enterprise and to increase deposits in minority-owned banks, education programs to expand assistance to minority institutions, and Federal expenditures to improve the living conditions of American Indians. The distinction between the categories of moneys discussed in this analysis is an important one and the reader is cautioned to read carefully the definitions contained in the footnotes to the various tables.

Programs relating to problems of the economically and socially disadvantaged, even when they include substantial minority participation, whether in manpower training, community development, or bilingual education, will generally not be treated as civil rights activities for they are more properly considered in other analyses in this document.¹

Table L-1. FEDERAL CIVIL RIGHTS OUTLAYS BY PROGRAM CATEGORY
(in millions of dollars)

	1972 actual	1973 estimate	1974 estimate
Civil rights enforcement: ¹			
Federal service equal employment opportunities.....	55.50	70.13	99.59
Military services equal opportunities.....	26.16	34.94	51.95
Private sector equal employment opportunities.....	46.67	64.35	81.80
Equal educational opportunity.....	96.43	74.34	206.42
Fair housing ²	11.83	13.80	15.79
Enforcement and investigation ³	43.71	49.40	53.64
Program direction, research and information dissemination.....	6.17	7.88	8.56
Indian programs.....	0.75	0.80	1.10
Civil rights conciliation and prevention of disputes.....	5.51	6.60	2.62
Subtotal.....	292.73	322.24	521.47
Minority assistance programs: ⁴			
Minority business enterprise ⁵	692.32	990.31	1,184.61
Indian programs ⁶	1,102.25	1,230.67	1,148.45
Minority higher educational assistance ⁷	24.33	45.54	62.82
Subtotal.....	1,818.91	2,266.52	2,695.88
Total.....	2,111.64	2,588.76	3,217.35

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

² Excludes funds for departmental personnel who directly administer housing and urban development programs but also concern themselves with the objectives of fair housing laws.

³ Includes all title VI efforts except HUD.

⁴ Minority assistance programs broaden opportunities for economic participation and self-determination.

⁵ Excludes the minority bank deposit program and Indian programs, but includes loans, surety bonds, guarantees and 8(a) contracts at obligated values.

⁶ Outlays for American Indians also includes programs which do not deliver services or benefits primarily to American Indians.

⁷ Outlays shown in the above table for predominantly black colleges (developing institutions and land-grant colleges) reflect only the HEW program for strengthening developing minority institutions and assistance to minority institutions from the National Science Foundation and the Department of Agriculture. They exclude other Federal financial assistance in this area and the Federal share of Howard University expenses.

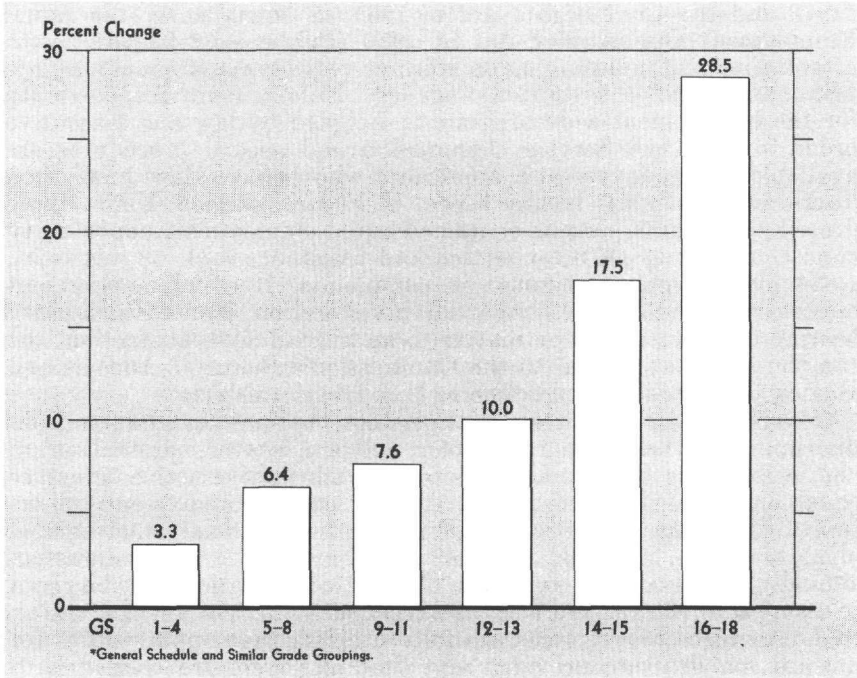
¹ For example, expenditures for minority participants in manpower training programs (40%) are not included. See Special Analysis I, Federal manpower programs.

Federal service equal opportunities.—The head of each Federal executive department and agency is charged by Executive Order 11478 and the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972 (Public Law 92-261), with establishing and maintaining an affirmative program of equal employment opportunity within his agency. Enforcement responsibility for the Government-wide program is assigned by law and Executive order to the Civil Service Commission and special procedures are available to employees and applicants who believe they have been discriminated against in any aspect of Federal service. Under these procedures, 16,883 persons contacted equal employment opportunity counselors during 1972 for advice and assistance and, of this total, 1,834 filed formal discrimination complaints. If equal employment opportunity counselling, impartial investigation and a third-party hearing do not resolve the matter to an individual's satisfaction, the complainant may appeal to the Commission's Board of Appeals and Review or may file a civil action in U.S. District Court.

Government policy is clear that personnel actions shall be free from discrimination based on race, color, religion, sex or national origin and in requiring Federal agencies to take affirmative action to assure equal employment opportunity. Agency equal employment opportunity programs are documented in written national and regional plans of action. These plans must be submitted to the Commission annually for review and approval. Careful consideration is to be given to assure that recruitment activities reach all sources of job candidates, that present employee skills are fully utilized, that opportunities for upward mobility are provided and that managers are trained with regard to their equal employment opportunities responsibilities.

Outlays for Federal civil service employment opportunity programs (including upward mobility) will increase by 76% in the 2 years, 1972 to 1974, to \$97.4 million. Man-years will increase by 558 to 2,678. Although firm projections on the results of these increased efforts are difficult to make, the favorable trends observed in recent years should continue.

Increase in Minorities by Grades*—May 1971–May 1972



As of May 31, 1972, nearly one-fifth (19.6%) of Federal employees were members of minority groups. Despite a decrease in overall Federal employment, there has been a continuing trend of more minorities in Federal service and increased representation of minorities in the middle and upper grade and pay levels. (See chart 2.) Under general schedule and similar pay plans, almost 25,000 minority employees were added to the roles between November 1969 and May 1972, and minority increases in the middle and upper grade levels occurred at much faster rates than for nonminorities.

As of October 31, 1971, women occupied 40.1% of full-time non-postal Federal white-collar positions. Seven thousand more women held positions at GS-7 through GS-12 than in the previous year, over half of the total net increase in employees at this level. At the same time, the number of women holding positions at levels GS-13 and above increased by 6% (455 women). In addition, between January and December 1972, the Postmaster General, under the new merit system established in 1970, appointed 1,101 women postmasters—almost half of the total postmasters selected during this time period. More than 40% of the 29,613 postmasters serving in the independent Postal Service are now women.

Two special emphasis programs address the specific employment problems of particular groups. Within the overall equal employment opportunity program, the Federal women's program addresses the particular employment needs and problems of women, and the Span-

ish-speaking program implements a 16-point Presidential mandate to provide opportunities for Spanish-speaking citizens.

The placement of an estimated 1,200 women in middle-management executive jobs (GS-13—GS-15) between April 1971 and April 1972 and of an additional 2,198 Spanish-speaking Americans in Federal jobs between May 1970 and May 1972, while the overall Federal workforce was decreasing, is largely attributable to special efforts under these programs. Other progress was evidenced by the appointment of 124 women and 51 Spanish-speaking Americans since 1969 to the highest executive positions in the Federal structure (currently \$31,203 to \$42,500). Many of these positions had never before been held by minorities or women.

Finally, under the Intergovernmental Personnel Act the Civil Service Commission provides financial and technical assistance in personnel management and employee training and in monitoring merit employment requirements applicable to many State and local government grant-in-aid programs. Major emphasis is placed on equal employment opportunity. Under this program the Commission has:

- Awarded grants during 1972 for 18 State and local government projects relating to equal employment opportunity totaling \$0.5 million. It is expected that \$1 million in grants will be awarded in 1974.
- Aided some 40 State systems subject to merit standards and hundreds of State and local agencies administering grants-in-aid in the development of affirmative action plans. In 1974, expenditures for related technical assistance will total \$1.3 million.
- Provided technical assistance, especially through Emergency Employment Act activities, geared to removing artificial employment barriers and improving personnel systems at State and local levels.

Military services equal opportunities.—Each of the military services has placed equal opportunity officers and their staffs at various levels within individual command structures. They guide, monitor, and evaluate all matters pertaining to the equal opportunity and treatment of military personnel and their dependents and are responsible for and participate in race relations councils, seminars, and training. In 1974, outlays for providing equal opportunities for members of the armed services, excluding fair housing expenditures, will increase 48% to \$52 million. An additional 515 man-years will be devoted to these efforts.

Equal opportunity for servicewomen has received added emphasis. As the number of women in the military services continues to rise at a rapid rate, greater utilization is being made of their talents. The Army has now opened 90% of their enlisted occupational specialties to women as opposed to 30% previously. The Navy has stationed a limited number of women at sea and has started to train women as noncombat pilots. The Air Force has increased the skill ladders open to women from 43% to 98%. Women serve at general/flag officer rank in each of the military departments. Task forces are also underway in each of the services to determine how the fullest utiliza-

tion of women can be achieved and how the proposed equal rights amendment to the Constitution would affect the military services.

The task force on the administration of military justice was commissioned on April 5, 1972. Its task was to determine the nature and extent of racial discrimination in the military judicial system and to recommend ways to strengthen the system by assuring that equal justice is provided to every serviceman and woman. The task force completed its deliberation and submitted its report to the Secretary of Defense on November 30, 1972. Additional guidance by the Secretary of Defense has been supplied to the Secretaries of the military departments directing implementation of equal opportunity in the services.

The Defense Race Relations Institute, located at Patrick Air Force Base, Fla., trains officers and enlisted men for service with their units as instructors. The institute has graduated over 700 instructors from all the departments in the past year. An additional 113 instructors were produced by the Marine Corps' Human Relations School in 1972. Training and education in race relations are included in service schools ranging from basic training to the senior service colleges. Special programs are also designed to increase minority participation in skilled jobs, examine current testing procedures for cultural bias, and to develop race relations handbooks.

Recruiting efforts will continue to insure balanced minority participation in the military services. All services have increased the percentage of minority recruiters. One example of success is the service academies where the enrollment of 278 minority cadets in the 1972 class is almost double the number entering in 1971. Presently there are over 580 minority cadets enrolled in the academies. Significant progress has also been made in procuring minority officers from reserve officer training programs and officer candidate/training schools and in the detailing of qualified minority officers to attend senior and intermediate level professional military schools. At the present time, there are 14 minority general officers on active duty. Prior to 1971 only four minority officers had ever achieved general/flag officer rank in the entire history of the armed services. Minority personnel have also been increasing their proportion in the top enlisted ranks.

Private sector opportunities.—Title VII of the Civil Rights Act of 1964, as amended, prohibits discrimination in employment on the basis of race, color, religion, sex, or national origin by either employers, unions, or employment agencies. Executive Order 11246, as amended, requires Federal and federally assisted Government contractors and subcontractors to provide similar opportunities. Outlays for the agencies charged with these responsibilities, the Equal Employment Opportunity Commission, the Justice Department, and the Department of Labor and 17 cooperating agencies will total \$81.8 million in 1974, an increase of 27%.

The Equal Employment Opportunity Act of 1972 significantly amended title VII of the Civil Rights Act of 1964 as follows:

- Granted the Equal Employment Opportunity Commission authority to bring suit in U.S. district court to enforce the requirements of nondiscrimination in employment when attempts to conciliate fail.

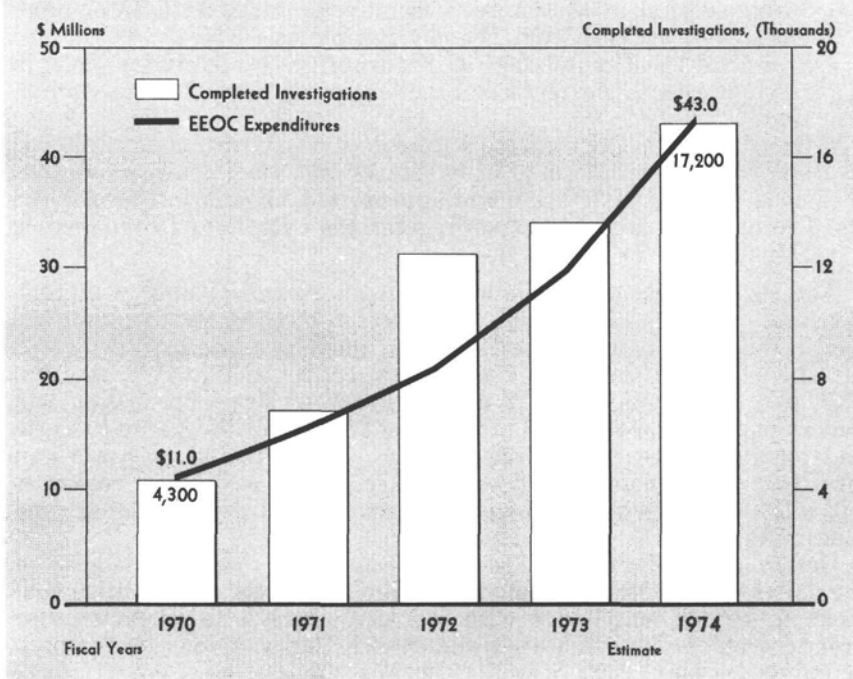
- Expanded the definition of employers covered to include private educational institutions.
- Provided that in March 1973 employers/unions with 15 or more employees/workers would be covered by title VII.
- Equipped the Commission with authority to file civil actions in cases of alleged patterns or practices of employment discrimination.
- Broadened the Commission's jurisdiction to cover cases of alleged employment discrimination by States and their political subdivisions. After investigation and appropriate conciliation efforts, the Commission can, if necessary, refer the complaint to the Justice Department for legal action.

The 1974 budget of the Equal Employment Opportunity Commission will provide \$43.0 million, an increase of 45%, to carry out its responsibilities relating to nondiscrimination in employment. Projected cash benefits resulting from Commission conciliations will grow from \$2.2 million in 1969 to \$17.2 million in 1974. The Commission will almost triple in 1974 to \$4.6 million the amount of its grants to State and local agencies responsible for the administration of State and local fair employment practices statutes. These additional resources will allow such agencies to expand their capabilities, particularly on cases referred by the Commission.

Enforcement of title VII, as amended, is also the responsibility of the Justice Department which, through conciliation and litigation, seeks to secure compliance with the law where it finds patterns or practices of employment discrimination in labor unions, companies, or industries and, since March 1972, in State and local governments and their agencies. In 1974, the Justice Department will spend \$2.6 million to help eliminate such discrimination. Approximately 85% of these resources will relate to the private sector and the remainder to the State and local public sector. The effectiveness of this program can be measured by the significant increase in the number of jobs in the private sector opened to minority persons and women under it.

Executive Order 11246 prohibits the practice of discrimination in Federal contracts, subcontracts, and on federally assisted construction projects. Nondiscrimination assurances cover construction as well as industrial work forces and require affirmative action on the part of recipients of Federal contract moneys to promote the equal employment of minorities and women. In 1974, those Federal agencies responsible for implementing this order will spend \$34.2 million, 64% more than the 1972 outlays of \$20.8 million. Approximately 755,000 new hires and promotions will have been promised in or achieved by such action plans.

Equal Employment Opportunity Commission Activities



Fifty-eight "citywide" plans for affirmative action in the construction industry, including the well-known "Philadelphia plan," have been put into effect. By the end of 1974, these plans should be operating in 102 cities. In addition, the Office of Federal Contract Compliance, Department of Labor, is currently developing proposals for statewide construction programs, which would cover all Federal and federally assisted construction contracts.

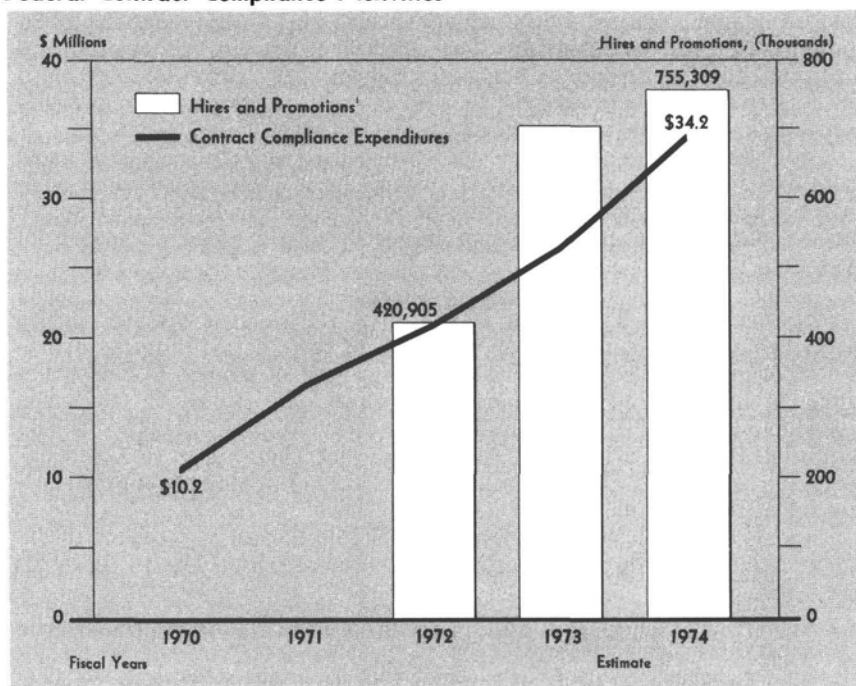
Efforts underway in 1973 to increase the effectiveness of both title VII and Executive Order 11246 will be strengthened. Such efforts include the continued expansion of a performance management system² in the Equal Employment Opportunity Commission and improved information and management systems for Federal contract compliance activities.

Other highlights include:

- The Federal Communications Commission, an independent regulatory agency, will spend \$0.4 million in 1974 to investigate complaints of employment discrimination by broadcasters, cable television systems, and common carriers and to review licensees' annual reports of employment patterns.

² Under this system, managers define explicit program objectives, establish time-phased performance targets consistent with available resources, and then periodically must report comparisons of accomplishments against targets.

Federal Contract Compliance Activities



¹ From affirmative action plans in non-construction contracts. Data prior to 1972 is unavailable.

- The Department of Labor will spend \$2 million in administering the Equal Pay Act. In 1972, \$14 million in back wages was found owed to 29,000 employees, primarily women, as a result of such efforts.

Equal educational opportunity.—The Department of Health, Education, and Welfare and the Justice Department have primary responsibility for assuring equal educational opportunity in public schools for all citizens on a nondiscriminatory basis and to assure that there is no discrimination against either faculty or administrators. In 1974, educational programs in support of these goals will spend \$206 million, excluding capital assistance to predominantly black colleges (developing institutions and land-grant colleges), an increase of 178%.

To enforce Federal laws requiring equal educational opportunities for public school students, the Justice Department will spend \$2.4 million in the coming year. Though substantial compliance with the constitutional mandate has been achieved in recent years, the Justice Department continues its enforcement supervision through 233 cases involving 542 school systems.

The desegregation of schools is progressing nationwide. On a national scale, the number of black students in all black schools has decreased from 40% in 1968 to an estimated 11% in 1972 and, in the South, from 68% in 1968 to an estimated 8% in 1972.

Currently, the Federal Government is also taking steps to end the discrimination against Spanish-speaking and other non-English-speaking pupils by insuring that special education programs and bilingual and bicultural education programs are provided. To continue these positive programs, legislation will be proposed to provide constructive alternatives to court ordered busing.

Under the emergency school assistance program, outlays will grow from \$72 million in 1973 to \$204 million in 1974 to assist local educational agencies and other public or private nonprofit institutions in further eliminating the effects of minority group isolation in school systems.

Fair housing.—Title VIII of the Civil Rights Act of 1968 makes unlawful any discrimination on the basis of race, color, religion, or national origin in the sale, rental, or financing of housing. Executive agencies are required to cooperate with the lead agency in this area, the Department of Housing and Urban Development (HUD), in the administration of title VIII, and to conduct their programs and activities in a manner that affirmatively furthers fair housing opportunities for all Americans.

Expenditures for the administration of fair housing programs in executive departments and agencies will increase by 14% in 1974 to \$15.8 million.

- HUD will spend \$4.3 million to strengthen its efforts under title VIII.
- The Department of Justice will spend \$1.9 million in the development, litigation, and negotiation of cases to enforce title VIII.
- The Department of Defense will spend \$5.5 million to assure the rights of all military personnel to available off-base housing.
- The General Services Administration (GSA) will spend \$0.8 million to assure that federally constructed, purchase-contract or leased space is located where there is an adequate supply of low- and moderate-income housing available on a nondiscriminatory basis.
- In cooperation with the fair housing goal of the executive branch, the independent Federal financial regulatory agencies will continue to monitor the institutions subject to their supervision to assure that their real estate lending services are available without regard to race, color, religion, or national origin.

HUD will continue its major efforts to insure that the administration of housing and urban development programs further the fair housing objectives of title VIII. Such efforts include oversight of affirmative marketing and advertising guidelines and policies for project selection of federally assisted programs; a national advertising campaign and expanded affirmative action programs aimed at all elements of the public; and communitywide hearings and reviews of title VIII compliance.

The Justice Department has brought more than 120 suits against some 325 defendants in 25 States and the District of Columbia aimed at securing comprehensive affirmative relief to correct the effects of past housing discrimination and to maximize equal opportunity in the future. In addition, more than 165 voluntary compliance agreements

have been negotiated with title insurance companies, real estate boards, private apartment house owners, and realtors nationwide, increasingly involving associations rather than individual entities. The Department's efforts are supplemented by private lawsuits under the Fair Housing Act, and complaints to the Secretary of HUD.

The Defense Department expects to continue its successful implementation of the open off-base housing program. In 1967, less than 20% of the multiunit rental facilities surveyed were indicated as available to all military personnel on an equal opportunity basis. Five years later, 98% of surveyed facilities are pledged to a policy of nondiscrimination. Between 1969 and 1972, black military occupancy in these facilities has increased some 50%. In 1974, defense will devote 504 man-years to furthering this record of achievement.

GSA, under Executive Order 11512, will expend 43 man-years on matters relating to the positive impact that selection of sites for Federal facilities can have on the social and economic conditions in the area. GSA and HUD are developing affirmative action plans where necessary to insure that an adequate supply of low- and moderate-income housing will be available on a nondiscriminatory basis. For agencies like AEC, which procure space and facilities on their own, efforts similar to the above will be carried out.

The Federal Reserve Board of Governors, the Federal Deposit Insurance Corporation (FDIC), and Comptroller of the Currency have issued policy directives to the banks subject to their supervision, and the Federal Home Loan Bank Board has published regulations, all

Table L-2. FEDERAL CIVIL RIGHTS OUTLAYS BY TYPE OF ACTIVITY
(in millions of dollars)

	1972 actual	1973 estimate	1974 estimate
Civil rights enforcement:¹			
Complaint conciliation.....	15.33	18.50	16.11
Complaint investigation.....	38.11	43.96	48.21
Compliance review and monitoring.....	39.86	51.56	60.02
Legal enforcement.....	18.01	24.24	28.62
Program direction and research.....	35.47	45.55	56.04
Technical assistance.....	4.49	5.99	9.66
Equal educational opportunity.....	94.30	72.00	204.00
Military services equal opportunities.....	26.16	34.94	51.95
Upward mobility.....	21.00	25.50	46.85
Subtotal.....	292.73	322.24	521.47
Minority assistance programs:²			
Capital assistance—grants.....	1,179.71	1,343.71	1,575.37
Capital assistance—loans ³	287.34	480.49	598.35
Capital assistance—guarantees ³	49.96	76.00	101.00
Procurement from minorities ⁴	283.08	319.12	350.99
Program direction and support.....	7.79	12.73	13.56
Technical and management assistance.....	11.03	34.47	56.61
Subtotal.....	1,818.91	2,266.52	2,695.88
Total.....	2,111.64	2,588.76	3,217.35

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

² Minority assistance programs broaden opportunities for economic participation and self-determination, including Indian programs.

³ Loans and guarantees are entered at their obligated value but do not necessarily represent any Federal expenditure.

⁴ (a) contracts are entered at their obligated values.

in support, of the Civil Rights Act of 1968. Financial institutions are required to post notices in their lobbies and include statements in their advertising giving public assurance that their real estate financing is available without regard to race, color, religion, or national origin.

In addition, the Federal Reserve Board is using a civil rights questionnaire in its bank examinations to improve compliance with civil rights legislation by banks under its supervision.

Civil rights enforcement.—Primary responsibility for the enforcement of civil rights laws and constitutional guarantees is vested in the Justice Department. This includes the development, negotiation, conciliation, and litigation of cases and complaints. In 1974, the Justice Department and other agencies with enforcement responsibility will spend \$53.6 million to carry out the above mandate. In addition to activities related to employment discrimination, fair housing and public education, which are treated elsewhere in this analysis, the efforts of the Department will be directed toward increased compliance with those laws which prohibit the interference with basic civil rights, including the right to vote and the use of public accommodations and facilities. The Department will also coordinate more closely other Federal agencies enforcement activities under title VI of the 1964 Civil Rights Act which prohibits discrimination in federally assisted programs.

In 1974, the Justice Department will continue to allocate resources as necessary for litigation to protect the civil rights of citizens who may have suffered violence or threats of violence including special protections for migrant workers, prison inmates, and American Indians. Attention will also be directed to civil litigation involving injustices and substandard conditions in correctional institutions, mental hospitals, and juvenile homes.

The voting rights program continues its efforts to secure to all citizens the right to register and vote without discrimination or intimidation. In addition, all proposed changes affecting voting which are submitted to the Attorney General under the Voting Rights Act must be investigated, reviewed, and adjudicated in the Department of Justice. 1,359 such changes were received in the past year. In support of the voting rights program, the Civil Service Commission provides personnel to prepare and maintain lists of eligible voters and to observe election procedures in States or other political subdivisions designated by the Attorney General. The Commission receives complaints, hears and determines challenges, and assists in the defense of challenge cases filed in the U.S. circuit courts of appeals. In 1974, the Commission will spend \$0.5 million to assist in this responsibility.

The coordination by the Justice Department of the title VI requirements of agency grant programs will in 1974 continue to emphasize, in addition to litigation, the close monitoring of such operations in some 30 departments and agencies. This stepped-up coordination should result in a continuing improvement of title VI enforcement.

Civil rights program direction, research, and information dissemination.—Expenditures grouped in this category include all moneys for the direction and management of civil rights activities not

counted elsewhere as well as Federal research and information dissemination efforts. Outlays will increase in this area to \$8.6 million in 1974.

- The Commission on Civil Rights will spend \$5.72 million in 1974, an increase of 13%, as an independent, bipartisan, factfinding agency. Recent legislation has broadened its jurisdiction to cover sex discrimination and extended its life through 1977. Field activities will increase their focus on the problems of women, American Indians and Asian Americans.
- The Women's Bureau, Department of Labor, will devote \$1.5 million to questions and issues relating to the utilization of womanpower and the economic, legal, and civil status of women. The Bureau works with appropriate State, National, international, local, and union organizations, and concerned individuals in achieving its goals and also provides support services to the Citizens Advisory Council on the Status of Women.
- The Cabinet Committee on Opportunities for Spanish-Speaking People, created by statute in 1969 to advise on the particular needs and problems of the Spanish-speaking, will spend \$1 million to carry on its mandate.
- The women's action program, Department of Health, Education, and Welfare (DHEW), will spend \$0.3 million in 1974 to analyze the effects of DHEW programs on women and the changes required to help attain equality for women.
- The Council of Economic Advisors will spend \$0.1 million in the coming year for the work of the Advisory Committee on the Economic Role of Women which, together with supporting staff work, will develop improved information, identify problems and make recommendations regarding women in the economy.

Civil rights conciliation and prevention of disputes.—The Community Relations Service of the Department of Justice was established by title X of the Civil Rights Act of 1964 to provide assistance to communities in resolving difficulties arising from discriminatory practices which disrupt peaceful relations among citizens. It also seeks to reduce and prevent racial tensions. The Service actively cooperates with appropriate Federal, State, and local agencies, private and public groups and individuals on methods and programs for the peaceful resolution of racial disputes.

The Service will be able to discontinue its technical assistance program in the coming year at a savings of \$4.0 million. This is due to the continued streamlining of Federal administrative processes through grant simplification and other management improvements and to the better coordination of Federal activities through Federal regional councils and decentralization of decisionmaking authority to State and local governments. In 1974, the Service will spend \$2.6 million to reduce racial tensions. This will permit an expansion in crisis resolution and State liaison activities of 41% over 1972 levels.

Indians.—The policy of the Federal Government relating to American Indians is set forth in the message sent to the Congress on July 8, 1970.

“Federal termination errs in one direction, Federal paternalism errs in the other. Only by clearly rejecting both of these extremes can we achieve a policy which truly serves the best interests of the Indian people. Self-determination among the Indian people can and must be encouraged without the threat of eventual termination.”

More and more tribes have been taking over services previously performed by the Government on reservations thereby realizing greater benefits of the Administration's policy of self-determination—Indian solutions to local Indian problems. In addition to encouraging tribes to provide basic social services and property management themselves, the tribes participated in the development of the 1974 budget program of the Bureau of Indian Affairs (BIA) in the Department of the Interior. For the coming year, the BIA budget provides about 58% of the funds for Indians on reservations and Alaska Natives. Other highlights include:

- Payments to Alaska Natives from the Alaska Native fund will total \$126.5 million in 1974 to compensate them for their claims.
- An Indian self-determination block-grant program will be established in 1974. More than \$25 million will be offered to Indians in lieu of some current economic and resource development programs.
- Expenditures to protect the basic civil rights of Indians will increase to \$0.8 million in the Office of the Solicitor, Department of Interior. Twenty-seven man-years will be devoted in 1974 to providing legal services to BIA and to complying with the requirements of the Civil Rights Act of 1968.
- The National Council on Indian Opportunity, which serves as a direct communications link between the Indian people and appropriate officials of the U.S. Government, will:
 - encourage full use of Federal programs to benefit Indians;
 - encourage interagency coordination and cooperation;
 - measure impact and progress of Federal programs; and
 - suggest ways to improve such programs.

This category is comprised of all expenditures on Indian programs. In 1974, these programs will have outlays of \$1.45 billion and support the economic and social development of American Indians on reservations and Alaska natives.

Minority business enterprise.—The moneys and programs discussed in this section aim to broaden economic participation on the part of minorities. Outlays for minority business enterprise are designed to increase minority business opportunities. Expenditures result primarily from grants, loans, loan guarantees, and the provision of special opportunities to minority entrepreneurs to provide goods, labor, and services to either Federal agencies or contractors.

The Office of Minority Business Enterprise (OMBE) was created in the Department of Commerce on March 6, 1969 (Executive Order 11458), to coordinate all Federal programs which could be of assistance to minorities who seek to establish or expand businesses. It offers advisory services and counseling and serves as a clearinghouse for all information relating to minority enterprise.

To promote equality of minority access to business opportunities and resources, OMBE stimulates the development of new areas of assistance for minority business formation and strengthening both in the public and private sectors. OMBE's scope was broadened on October 13, 1971 (Executive Order 11625), to include grant and contract authority to local and national business development organizations. A performance management system³ is currently supporting the management of OMBE programs, and is being expanded to assist in coordinating the minority business efforts of other agencies. Program development and management funding will grow 110% from \$5.3 million in 1972 to an estimated \$11.2 million in 1974. The minority business development management and technical assistance funds are expected to expand similarly—from funding of \$36.3 million in 1973 to \$80.1 million in 1974. Funding for OMBE efforts will total \$91.3 million in the coming year, which includes OMBE funding of the Community Development Corporation program formerly funded by the Office of Economic Opportunity, and should result in the following:

- 2,191 new minority firms being established;
- 5,832 minority firms being provided with financing; and
- 18,030 clients receiving management assistance.

Expenditures for minority business development occur throughout the Federal Government and include:

- Outlays of \$3.04 million in 1974 by the Small Business Administration to administer section 8(a) of the Small Business Act. This unique procurement tool permits SBA to obtain procurement contracts from other Federal agencies and to award subcontracts to the minority or disadvantaged to help them become owners of self-sustaining manufacturing, construction, and other related service enterprises. SBA expects to expand the contracts negotiated from an estimated 2,000 worth \$175 million in 1973 to 2,750 worth \$200 million in 1974. Companies assisted will rise from 1,200 to 1,500.⁴
- SBA will have more than \$649 million in loans and guarantees obligated in 1974 for minority business development and expects to award \$5.0 million worth of contracts for management and technical assistance.
- The Department of Commerce, outside of OMBE, will fund a projected \$17.2 million worth of grants to minority enterprises,⁵ and obligate an estimated \$10.5 million in development loans in 1974.
- The Department of Agriculture will provide a projected \$45 million in farm ownership and operating loans and \$12.1 million in grants and advisory services to aid minority agricultural enterprises.

³ Under this system, managers define explicit program objectives, establish time-phased performance targets consistent with available resources, and then periodically must report comparisons of accomplishments against targets.

⁴ All Federal procurement from minorities under sec. 8(a) is reported under the lead agency, SBA.

⁵ Excludes grants to American Indians counted in a prior program category.

- Fifty-three minority enterprise small business investment corporations (MESBIC's) are currently in operation with a total private capitalization of \$18.6 million. With the provision of Federal matching funds, this produces total capital of more than \$37.2 million. MESBIC's provide venture capital to expand the range of financing opportunities available to minority enterprises. This Administration has recently amended the Small Business Investment Act of 1958 to provide MESBIC's with a new source of equity capital by authorizing the Small Business Administration to purchase their preferred stock.

Total funding for minority business enterprise programs will increase by 20% to an estimated \$1.2 billion in 1974. Outlays for program management are expected to grow to \$13.6 million and for technical and management assistance grants to \$57 million. Obligations for loans and loan guarantees will amount to \$598.4 million and \$101 million, respectively. Special efforts to procure goods and services from minorities will total more than \$350 million. In the aggregate, efforts to assist minority business development will expand 265% between 1970 and 1974.

Deposits in minority-owned banks.—Between September 30, 1970, when the Administration began a combined Government/private sector program to increase deposit balances in minority-owned banks by \$100 million, and September 30, 1972, deposits in the Nation's 43 minority-owned banks increased by \$397.3 million, an expansion of 83%. The primary value of this program, under the direction of the Treasury Department and the Commerce Department respectively, has been to increase the earnings of the minority banks and thereby enhance their ability to attract capital.

Table L-3. FEDERAL CIVIL RIGHTS OUTLAYS BY DEPARTMENT AND AGENCY (in millions of dollars)

	1972 actual	1973 estimate	1974 estimate
Civil rights enforcement:¹			
Department of Agriculture.....	9.18	9.96	10.36
Department of Commerce.....	.89	1.02	1.02
Department of Defense.....	37.14	48.14	66.61
Department of Health, Education, and Welfare.....	105.10	86.19	224.42
Department of Housing and Urban Development.....	6.52	7.94	9.85
Department of the Interior.....	1.27	2.42	2.83
Department of Justice.....	33.84	37.79	34.69
Department of Labor.....	7.31	7.99	8.22
Department of State.....	*7	*7	.01
Department of Transportation.....	2.17	2.79	3.10
Treasury Department.....	.31	.66	.74
Atomic Energy Commission.....	1.37	1.63	2.08
Civil Service Commission ²	56.40	71.23	100.13
Commission on Civil Rights.....	3.64	5.08	5.72
Environmental Protection Agency.....	.47	.54	.66
Equal Employment Opportunity Commission.....	20.80	29.71	43.02
Federal Communications Commission.....	.21	.25	.39
General Services Administration.....	1.87	3.40	3.95
National Aeronautics and Space Administration.....	.51	.53	.55
Postal Service.....	1.03	1.55	(³)
Small Business Administration.....	.35	.52	.61
Veterans Administration.....	.66	.83	.84
Other independent agencies.....	1.70	2.07	1.66
Subtotal.....	292.73	322.24	521.47
Minority assistance program:⁴			
Department of Agriculture.....	72.96	97.18	98.82
Department of Commerce.....	76.31	109.99	126.12
Department of Health, Education, and Welfare.....	369.95	419.70	460.07
Department of Housing and Urban Development.....	50.95	65.78	77.75
Department of the Interior.....	636.03	716.35	890.85
Department of Labor.....	71.95	64.63	64.40
Small Business Administration ⁵	439.19	680.70	850.49
Other independent agencies.....	101.57	112.19	127.38
Subtotal.....	1,818.91	2,266.52	2,695.88
Total.....	2,111.64	2,588.76	3,217.35

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

² All Federal service equal employment opportunity outlays, including upward mobility, are reported under the lead agency, Civil Service Commission.

³ Postal Service outlays for 1974 will appear in the Annexed Budget.

⁴ Minority assistance programs broaden opportunities for economic participation and self-determination, including Indian programs. Loans, surety bonds, guarantees and 8(a) contracts are included at their obligated values.

⁵ All Federal procurement from minorities through sec. 8(a) of the Small Business Act is reported under the lead agency, Small Business Administration.

* Less than \$10 thousand.

CONCLUSION

The civil rights programs of the Federal Government are many faceted. They range from the legal assurances of nondiscrimination to provision of employment and business opportunities. The steady expansion in the resources dedicated to these efforts is evidence of the intent to continue progress toward making equal opportunity a reality for all Americans.

SPECIAL ANALYSIS M

FEDERAL PROGRAMS FOR THE REDUCTION OF CRIME

Federal programs for the reduction of crime are a cooperative effort of many Federal agencies. While the Department of Justice and the Federal Judiciary are charged with the broad basic functions relating to reduction of crime, other executive departments and agencies have crime prevention and suppression functions growing out of their primary program activities or ability to bring special knowledge and competence to the solution of crime problems. Strong emphasis is given to cooperation with State and local criminal justice agencies with funds and technical assistance provided to improve their effectiveness and joint efforts undertaken with respect to many crime problems. The objective is to generate an effective response to the crime problem by all elements of the Nation's criminal justice system.

ACCOMPLISHMENTS OF THE PAST YEAR

Notable progress has been made the past year to improve the effectiveness of law enforcement and upgrade the quality of the criminal justice process. Accomplishments of particular significance include:

- The FBI crime index increased only 1% during the first three quarters of 1972, which is the lowest rate of growth since 1960 when the statistics were first collected.
- Creation of the Office for Drug Abuse Law Enforcement, under direction of the Special Consultant to the President for Drug Abuse Law Enforcement, has brought integrated and comprehensive Federal, State, and local resources to bear on the heroin distribution networks in over 40 cities.
- Enactment of legislation for the protection of foreign officials and official guests of the United States, sponsored by the Administration, strengthens Federal law pertaining to attacks on and demonstrations against representatives of foreign nations in order to deter increasing harassment of and violence directed at foreign officials, particularly from the Soviet Union and Middle East nations.
- Establishment of the Office of National Narcotics Intelligence within the Department of Justice provides more effective collection and use of information on drug trafficking.
- Control of aircraft hijacking has been strengthened by issuance of new Federal Aviation Administration regulations requiring airports to station armed guards at passenger checkpoints and airlines to provide 100% inspection of all passengers and their carry-on baggage.

1974 BUDGET HIGHLIGHTS

In 1974, Federal outlays for the reduction of crime will total almost \$2.6 billion. This compares with \$2.4 billion in 1973 and \$1.8 billion

in 1972. It is estimated that crime reduction expenditures at all levels of government—Federal, State, and local—will total \$18 billion in 1974. Of the \$2.6 billion in Federal expenditures in 1974, \$1,187 million or 46% of the total will be directed to assisting State and local governments in their crime reduction activities. Comparable figures were 37% in 1972 and 42% in 1973. The remainder of the 1974 outlays will fund direct Federal involvement in criminal justice activities.

The Department of Justice spends the largest amount on crime reduction with \$1,563 million estimated for 1974. Special emphasis will be directed toward controlling the illicit distribution of narcotics and dangerous drugs, combating organized crime, preventing terrorist activities aimed at foreign officials and domestic government institutions, and rehabilitating criminal offenders.

Legislation will be proposed to merge several of the Law Enforcement Assistance Administration (LEAA) categorical grants into Law Enforcement Revenue Sharing (LERS). In 1974, \$800 million in assistance to State and local government will be allocated through LERS and LEAA discretionary funding for the various crime reduction activities highlighted in this analysis.

Table M-1. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY AGENCY¹ (in thousands of dollars)

Agency	Outlays		
	1972 actual	1973 estimate	1974 estimate
The Judiciary.....	71,476	77,820	85,012
Executive Office of the President.....	13,403	52,871	32,700
Agency for International Development.....	4,968	23,800	35,600
Department of Agriculture.....	5,459	5,544	5,615
Department of Commerce.....	1,127	1,467	1,767
Department of Defense—Civil.....	4,676	5,102	5,531
Department of Health, Education, and Welfare.....	125,387	175,657	226,473
Department of Housing and Urban Development.....	29,339	34,222	35,220
Department of the Interior.....	32,103	40,251	39,709
Department of Justice.....	1,011,447	1,315,876	1,562,534
Department of Labor.....	84,146	157,700	86,900
Department of State.....	829	1,037	1,095
Department of Transportation.....	41,929	48,722	32,297
Department of the Treasury.....	215,219	262,297	285,286
General Services Administration.....	75,269	102,113	82,957
National Aeronautics and Space Administration.....	722	254	-----
Veterans Administration.....	53,252	74,856	79,364
Other independent agencies.....	35,642	36,402	² 1,163
Total Federal outlays.....	1,806,393	2,415,991	2,599,223

¹ Does not include Department of Defense—Military.

² Excludes \$36,357 thousand of outlays for the U.S. Postal Service which are included in the Annexed Budget for 1974.

CRIME REDUCTION PROGRAM BY ACTIVITIES

Budget outlays reported in this special analysis cover all Federal programs directly related to or closely associated with crime reduction,

except outlays associated with programs of the Defense Department.¹ The analysis includes estimated costs of criminal adjudication by the judiciary. It excludes general social programs, even though such programs may indirectly reduce crime, unless they are clearly within the context of crime reduction or prevention, e.g. vocational training of prisoners or treatment and rehabilitation of narcotic addicts. The analysis does not include background investigations for employment, administrative inspections, or investigations of a regulatory nature which may in rare cases result in the application of criminal sanctions. Where activities involve both criminal and civil proceedings, e.g. operation of the courts, an allocation of outlays to the criminal function has been estimated.

Crime research and statistics.—Crime research and statistics includes the various Federal activities designed to produce statistics, performance data, and quantitative knowledge concerning crime, criminals, and the criminal justice system, and to develop improved methods and techniques for operation of that system.

- Outlays of \$96 million will be devoted to crime research and statistics in 1974. Of this amount \$32 million will be spent for statistical collection and \$64 million for research. In 1973, \$74 million is being allocated for research and statistics.
- The newly organized National Criminal Justice Reference Service in the Law Enforcement Assistance Administration will offer a national computerized data base of research information in 1974.
- The National Institute of Law Enforcement and Criminal Justice within the Law Enforcement Assistance Administration has entered into agreements with other Federal agencies to stimulate enforcement research and statistics in 1974. The U.S. Air Force will attempt to translate equipment needs into practical hardware systems, the Bureau of the Census will conduct a series of surveys of victims of crime, and the U.S. Army Missile and Munitions Center will conduct project studies on civil disorders.
- Research to develop techniques and devices for discouraging aircraft hijackers, identifying potential hijackers, detecting concealed weapons, and finding explosives hidden aboard aircraft will be funded by the Federal Aviation Administration in 1974.
- The U.S. Postal Service will conduct applied research into systems designed to improve the security of the mails—expanded electronic alarm devices, high-speed systems to detect contraband in the mail flow, an apparatus for identifying explosives and narcotics, and an improved mail-tracing system for use in mail traps.
- In order to improve the handling of mentally disordered offenders in the criminal justice system, the National Institute of Mental Health is conducting research projects to develop more precise clinical criteria for determining pretrial competency and “dangerousness” for purposes of involuntary commitment to mental hospitals.

¹ Defense Department outlays for crime reduction are not included in this analysis. However, a summary of Defense Department outlays for law enforcement are estimated as follows (in thousands of dollars):

	1972	1973	1974
Department of the Army.....	247, 260	264, 431	260, 907
Department of the Navy.....	15, 396	24, 363	21, 737
Department of the Air Force.....	292, 941	348, 895	343, 449
Total, Department of Defense.....	555, 597	637, 689	626, 093

Table M-2. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND SELECTED ACTIVITY¹ (in thousand of dollars)

Major program and selected activity	Outlays		
	1972 actual	1973 estimate	1974 estimate
Crime research and statistics:			
Statistics on crime, criminals, and criminal justice system.....	12,878	27,080	31,511
Research on criminal behavior and sociology of crime.....	27,878	47,240	64,590
Program total.....	40,756	74,320	96,101
Reform of criminal laws.....	1,742	2,514	4,110
Services for prevention of crime:			
Public education on law observance, enforcement, and crime prevention.....	24,574	33,896	41,863
Special programs for the rehabilitation of narcotic addicts..	73,008	158,067	201,932
Prevention and control of juvenile delinquency.....	62,386	74,393	77,606
Development of other community crime prevention services..	109,092	188,566	129,328
Program total.....	269,060	454,922	450,729
Criminal law enforcement:			
Investigations into violations of Federal criminal law.....	663,121	766,270	728,730
Federal police.....	90,292	103,218	103,748
Assistance to State and local governments for enforcement..	105,519	129,321	174,421
Program total.....	858,932	998,809	1,006,899
Law enforcement support:			
Criminal intelligence and information systems.....	20,329	29,412	38,325
Education and training of enforcement officers.....	108,499	140,874	139,548
Laboratories and criminalistics.....	23,529	27,796	34,040
International programs in support of domestic law enforcement.....	10,053	31,614	43,414
Program total.....	162,410	229,696	255,327
Administration of criminal justice:			
Conduct of Federal criminal prosecutions.....	46,514	55,416	61,955
Operation and support of Federal court systems.....	74,042	80,165	86,011
Assistance to States and localities for improved administration of justice.....	28,220	36,534	52,419
Other supporting programs.....	79	101	129
Criminal defense for the poor.....	13,360	14,769	15,522
Program total.....	162,215	186,985	216,036
Rehabilitation of offenders:			
Operation of Federal correctional institutions.....	100,010	136,417	153,433
Federal probation, parole, and community treatment.....	10,817	12,556	13,374
Federal inmate education and training.....	20,862	23,318	19,646
Federal inmate medical treatment.....	13,862	15,761	16,639
Other programs supporting Federal corrections.....	1,959	2,272	2,270
Assistance to States and localities for improved correctional programs.....	125,827	216,029	315,999
Program total.....	273,337	406,353	521,361
Planning and coordination of crime reduction programs.....	37,941	62,392	48,660
Total Federal outlays.....	1,806,393	2,415,991	2,599,223

¹ Does not include Department of Defense—Military.

Reform of criminal laws.—Criminal law reform encompasses Government efforts to improve the effectiveness of the Nation's criminal laws and assure that they accurately reflect the values and standards of our society.

- Approximately \$4.1 million will be spent for law reform in 1974, including \$3.0 million to support efforts to revise State and local criminal statutes and regulations.
- In 1974 the Criminal Code Revision Unit within the Justice Department will support legislation to revise the Federal criminal laws. Once a revised criminal code is enacted, the Unit will prepare revisions to criminal prosecuting procedures and hold training sessions for U.S. attorneys.
- During 1974 a National Commission for the Review of Federal and State Laws Relating to Wiretapping and Electronic Surveillance will begin studying the effects of provisions of the Omnibus Crime Control and Safe Streets Act of 1968 and other applicable State and Federal law concerning wiretapping in order to submit recommendations to the President and Congress.
- The Commission to Review National Policy Toward Gambling will undertake a study of existing statutes relating to control and taxation of gambling in United States in 1974.
- Thirty-five States and territories have now adopted the State Uniform Controlled Substances Act. Efforts will continue within the Bureau of Narcotics and Dangerous Drugs to foster enactment by as many States as possible.

Prevention of crime.—Crime prevention consists of government efforts to preclude, limit, or render less probable the commission of criminal acts by means other than direct enforcement or general correctional activities as an important element in crime reduction. Included are certain programs in public education, drug addict rehabilitation, treatment of juvenile delinquents, and police-community relations.

- Total outlays for Federal crime prevention programs will exceed \$450 million in 1974. Included in this amount is \$78 million for prevention and control of juvenile delinquency.
- The Urban Mass Transportation Administration will offer grants to State and local governments for purchase of public transit equipment with crime prevention and reduction devices such as two-way radios and computerized command and control systems.
- Although all 170 Veterans Administration hospitals treat veterans with drug problems, 44 specially designated treatment units will care for 31,000 drug-dependent veterans in 1974, a 15% increase over 1973.
- The National Institute of Mental Health will place new emphasis in 1974 on the development of training models and programs for mental health service professionals, behavioral and social science researchers, and personnel evaluating action programs on crime and delinquency.

Criminal law enforcement.—Criminal law enforcement entails direct efforts by the Federal Government to detect, identify, and apprehend violators of criminal laws. Federal support of State and local enforcement activities is also included in this category. This assistance may underwrite programs to combat organized crime, control narcotics and drug abuse, or help finance general improvements in the operation of State and local criminal justice systems aimed at the reduction of crime.

- Criminal law enforcement will have \$1,007 million in outlays during 1974, including \$174 million in support of State and local enforcement programs.
- The recently established Bureau of Alcohol, Tobacco, and Firearms will expand its investigation of violations of Federal firearms and explosives laws in 1974.
- With the active cooperation and participation by State and local police departments, attorneys, and courts, the Office of Drug Abuse Law Enforcement plans to expand its full-scale operations against middle- and street-level heroin traffickers into six additional large metropolitan areas in 1974.
- The Securities and Exchange Commission will continue investigations of security frauds in 1974 which have led to indictments against 16 members of organized crime.
- The Bureau of Customs will expand its drug detector dog force in 1974 and add new equipment to support its air and sea intrusion program.
- The Border Patrol of the Immigration and Naturalization Service expects to apprehend 510,000 deportable aliens in 1974, a substantial increase over the 366,881 illegal aliens located in 1972.
- The U.S. Postal Service will intensify efforts to reduce the amount of cash and stamp stock lost annually in post office burglaries and seek to cut losses in parcel post, registered mail, and insured mail.
- The Secret Service will provide protection for an increasing number of foreign dignitaries in 1974.
- In 1974, 177 investigators and support personnel from the Labor-Management Services Administration in the Department of Labor will work with the strike forces against organized crime to identify, investigate, and prosecute labor racketeers who manipulate welfare and pension funds.

Law enforcement support.—Law enforcement support consists of activities which contribute to the effectiveness of direct enforcement activities. Included in this category are the operation of criminal intelligence and information systems, education and training of enforcement officers, forensic laboratories, and international programs supporting domestic enforcement efforts, primarily in the area of narcotics control.

- Outlays of \$255 million are projected for law enforcement support in 1974. Of this amount, \$181 million will assist State and local enforcement by funding laboratories, training programs, and criminal intelligence networks.

- The Internal Revenue Service will train a limited number of State revenue officers in its basic school for special agents in 1974.
- In 1974 the newly created Office of National Narcotics Intelligence will maintain a narcotics intelligence system for the analysis and dissemination of data collected from both overseas and domestic sources.
- Training of State and local enforcement officers in the FBI National Academy will be expanded to 2,000 students in 1974.
- The Veterans Administration expects to fund on-the-job training for 17,200 State and local policemen in 1974.
- In addition to protecting international fish and wildlife resources under Federal law, officers of the Bureau of Sport Fisheries and Wildlife have been granted authority to enforce the wildlife conservation laws of States in which they are located during 1974.
- The Bureau of Narcotics and Dangerous Drugs will conduct 36 intensive training programs in 1974 for foreign police officials participating in the international effort to deter narcotics trafficking.
- Matching grants of \$6.3 million provided by the Office of Education will support vocational and technical education programs for 126,000 State and local police officers in 1974.
- An estimated 14,500 narcotic evidence exhibits will be analyzed in 1974 for State and local enforcement agencies by laboratories of the Bureau of Narcotics and Dangerous Drugs.

Administration of criminal justice.—This category includes the preparation and prosecution of criminal cases, operation of court systems, trial of cases, provision of adequate defense, and related and supporting activities.

- Expenditures of \$216 million will support all programs for the prosecution of criminal cases and the administration of criminal justice in 1974, over \$52 million of which will assist State and local prosecution agencies and courts. Operation of the Federal court system will require outlays of \$86 million in 1974, and \$62 million will be spent on criminal prosecutions.
- The Federal court system will increase the level of its support personnel by almost 12% in order to expedite an expanded caseload in 1974.
- The Criminal Division of the Justice Department will conduct a pilot program to establish Federal-State law committees to develop policy for prosecution of offenses with concurrent Federal-state jurisdiction, such as cargo thefts and auto thefts.
- Indian courts, sponsored by the Bureau of Indian Affairs, expect to handle over 100,000 cases in 1974, a 16% increase over the actual caseload in 1972.
- The Prosecutors Management Information System of the U.S. Attorney Office in the District of Columbia Superior Court, funded by a grant from the Law Enforcement Assistance Administration, will be made available in manual or computerized form to every district attorney's office in the United States in 1974.

- As a result of increased number of tax investigations in 1972 and 1973, the Tax Division of the Department of Justice projects an increase of over 20% in the number of criminal prosecutions in 1974, as compared to the 1972 level.
- U.S. Attorneys will devote additional manpower to the preparation and prosecution of Federal criminal cases which continue to increase in volume and complexity.

Rehabilitation of offenders.—These programs include government custody and rehabilitation of criminal offenders. Specific activities include operation of correctional institutions, inmate training programs, probation and parole services, and construction of buildings and facilities.

- Over \$521 million of Federal funds will be expended for rehabilitation of offenders in 1974, as compared to \$406 million in 1973 and \$273 million in 1972. Of the 1974 total, \$316 million will be allocated to State and local correctional programs.
- Bureau of Prisons staff assigned to the regional offices of the Law Enforcement Assistance Administration will provide technical assistance to State and local governments planning improvements in jails, prisons, and community correctional programs.
- The Office of Education will support offender rehabilitation programs in 1974 by offering vocational training to 40,000 inmates and sponsoring adult education classes for 51,800 inmates.
- State vocational rehabilitation agencies, using increased grants from the Social and Rehabilitation Service in HEW, will offer programs in vocational education to youths charged with minor offenses in 1974.
- The Bureau of Prisons will operate three additional Federal correctional facilities in 1974. In addition, the Bureau will be negotiating with certain State and local correctional authorities for joint utilization of facilities.

Planning and coordination.—Included in this category are Federal support of State and local planning of crime reduction activities and coordination of Federal enforcement activities internally and with respect to international enforcement efforts.

- Outlays of \$49 million will support planning and coordination of crime reduction programs in 1974, consisting primarily of \$43 million to assist State and local governments conduct planning and evaluation of criminal justice programs.
- A Cabinet Committee on International Narcotics Control, chaired by the Secretary of State, will establish overall policy for Federal enforcement activities intended to disrupt the flow of narcotics into the United States.
- During 1974 the Special Action Office for Drug Abuse Prevention plans to undertake the development and implementation of management systems for drug abuse prevention, assist State and local governments to conduct such activities, and establish guidelines for poly-drug abuse treatment.
- In 1974 senior State Department officials will continue to work with foreign governments and international organizations to prevent illegal production and distribution of narcotics and will coordinate the drug programs of all Federal agencies abroad.

Table M-3. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY¹ (in thousands of dollars)

Major program and agency	Outlays		
	1972 actual	1973 estimate	1974 estimate
Crime research and statistics:			
The Judiciary.....	274	337	441
Executive Office of the President.....	1,503	1,271	-----
Department of Defense—Civil.....	13	14	15
Department of Health, Education, and Welfare.....	4,821	5,172	5,460
Department of Justice.....	31,748	63,023	85,446
Department of Transportation.....	931	3,166	2,347
Department of the Treasury.....	462	780	2,392
National Aeronautics and Space Administration.....	722	254	-----
Other independent agencies.....	282	303	(²)
Program total.....	40,756	74,320	96,101
Reform of criminal laws:			
Department of Justice.....	1,742	2,514	3,450
Other independent agencies.....	-----	-----	660
Program total.....	1,742	2,514	4,110
Services for prevention of crime:			
Executive Office of the President.....	10,800	46,100	27,000
Department of Defense—Civil.....	118	148	153
Department of Health, Education, and Welfare.....	72,861	115,622	153,085
Department of Housing and Urban Development.....	24,991	29,150	30,000
Department of the Interior.....	860	876	883
Department of Justice.....	73,445	96,571	138,308
Department of Labor.....	68,900	140,500	74,800
Department of Transportation.....	-----	334	1,000
Veterans Administration.....	17,059	25,593	25,500
Other independent agencies.....	26	28	(²)
Program total.....	269,060	454,922	450,729
Criminal law enforcement:			
Department of Agriculture.....	5,459	5,544	5,615
Department of Defense—Civil.....	3,594	3,822	4,168
Department of the Interior.....	29,679	37,098	36,550
Department of Justice.....	459,979	510,401	569,441
Department of Labor.....	3,286	3,500	3,200
Department of State.....	829	1,037	1,095
Department of Transportation.....	40,939	45,157	28,879
Department of the Treasury.....	211,158	257,036	275,694
General Services Administration.....	69,446	100,046	81,754
Other independent agencies.....	34,563	35,168	² 503
Program total.....	858,932	998,809	1,006,899

See footnotes at end of table.

Table M-3. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY ¹ (in thousands of dollars)—Con.

Major program and agency	Outlays		
	1972 actual	1973 estimate	1974 estimate
Law enforcement support:			
Agency for International Development.....	4,968	23,800	35,600
Department of Commerce.....	1,127	1,467	1,767
Department of Defense—Civil.....	95	130	134
Department of Health, Education, and Welfare.....	5,310	5,820	6,300
Department of the Interior.....	278	354	201
Department of Justice.....	104,189	141,348	148,989
Department of Transportation.....	57	63	69
Department of the Treasury.....	3,599	4,481	7,200
General Services Administration.....	5,823	2,067	1,203
Veterans Administration.....	36,193	49,263	53,864
Other independent agencies.....	771	903	(²)
Program total.....	162,410	229,696	255,327
Administration of criminal justice:			
The Judiciary.....	64,014	69,696	75,767
Department of Defense—Civil.....	45	68	75
Department of Health, Education, and Welfare.....	56	60	-----
Department of the Interior.....	976	1,127	1,279
Department of Justice.....	97,122	116,032	138,913
Department of Transportation.....	2	2	2
Program total.....	162,215	186,985	216,036
Rehabilitation of offenders:			
The Judiciary.....	7,188	7,787	8,804
Department of Defense—Civil.....	811	920	986
Department of Health, Education, and Welfare.....	42,339	48,983	61,628
Department of Housing and Urban Development.....	4,348	5,072	5,220
Department of the Interior.....	310	796	796
Department of Justice.....	206,381	329,095	435,027
Department of Labor.....	11,960	13,700	8,900
Program total.....	273,337	406,353	521,361
Planning and coordination of crime reduction programs:			
Executive Office of the President.....	1,100	5,500	5,700
Department of Justice.....	36,841	56,892	42,960
Program total.....	37,941	62,392	48,660
Total Federal outlays.....	1,806,393	2,415,991	2,599,223

¹ Does not include Department of Defense—Military.² Excludes outlays for the U.S. Postal Service which are included in the Annexed Budget for 1974.

Table M-4. SELECTED CRIME REDUCTION DATA (dollars in thousands)

	1970	1971	1972
Federal outlays for crime reduction:			
Federal crime reduction outlays assisting States and localities.....	\$177,251	\$414,773	\$674,785
Federal crime reduction outlays for reduction of Federal crimes.....	679,665	937,982	1,131,608
Total Federal outlays for reduction of crime.....	856,916	1,352,755	1,806,393
Federal personnel:			
Full-time Federal criminal investigators ¹	14,610	15,489	17,507
U.S. attorneys and assistant attorneys (man-years on criminal workload).....	630	712	763
Attorneys—criminal division (man-years).....	190	239	271
U.S. district court judgeships.....	402	402	498
State and local crimes:²			
Serious crimes recorded (UCR—table 2).....	5,568,200	5,995,200	(³)
Violent crimes recorded (UCR—table 2).....	731,400	810,020	(³)
Rate of serious crimes per 100,000 inhabitants (UCR—table 2).....	2,740	2,907	(³)
Rate of violent crimes per 100,000 inhabitants (UCR—table 2).....	360	393	(³)
Percent index crimes cleared by arrest (UCR—table 13).....	21.0	20.9	(³)
Percent found guilty of persons charged by police (UCR—table 15).....	66.8	64.7	(³)
Federal investigations:			
FBI, investigative matters received.....	882,254	828,059	824,252
Immigration and Naturalization Service (investigations completed) ⁴	28,718	28,542	30,245
Postal Service, criminal caseload.....	211,166	⁵ 510,220	⁵ 462,671
IRS, cases closed ⁶	7,908	7,381	8,518
Bureau of Customs, cases closed.....	32,040	38,062	40,076
Secret Service, cases closed.....	99,390	104,743	132,018
Bureau of Alcohol, Tobacco, and Firearms, cases closed.....	7,867	6,339	6,964
Disposition of Federal criminal matters:			
Investigative matters presented for prosecutive decision—prosecution declined.....	89,139	94,032	119,064
Federal criminal cases commenced ⁷	38,102	41,290	47,043
Federal criminal cases terminated ⁷	34,962	37,715	46,090
Federal criminal cases pending ⁷	20,910	24,485	25,438
Federal criminal cases pending over 6 months ⁸	5,710	6,602	5,462
Federal criminal defendants convicted.....	29,005	34,579	40,812
High echelon organized crime figures convicted.....	33	61	60
Corrections:			
Average Federal jail population.....	4,284	4,733	5,160
Average Federal prison population.....	20,687	20,949	21,329
Court commitments to Federal institutions.....	11,060	12,613	13,677
Average Federal prison sentences (months).....	46.8	47.8	47.9
Persons under supervision of Federal probation system (end of year).....	38,409	42,549	49,023
Federal paroles granted.....	5,142	5,851	6,174
Warrants issued for violation of conditions of release from prison.....	2,369	2,044	1,906
Executive clemency petitions granted.....	96	173	255

¹ CSC jobs classified in series 1811 as of October 31.² From FBI uniform crime report, calendar year 1971.³ Not available.⁴ Includes investigations of criminal, immoral, narcotic, fraud, and subversive activity.⁵ Represents a new workload reporting system which reflects individual complaints in a specific case series.⁶ Includes tax fraud investigations of narcotics traffickers and organized crime figures.⁷ Excludes transfers.⁸ Excludes pending cases of fugitives.

PART 3

SPECIALIZED ASPECTS AND
VIEWS OF FEDERAL PROGRAMS

INTRODUCTION

Part 3 discusses trends and developments in selected areas of Government activity—aid to State and local governments, public works, research and development, environmental quality, and prevention of drug abuse. It groups five special analyses, those designated N through R.

Special Analysis N summarizes Federal grants to State and local governments as well as loans and indirect assistance. It traces the development of Federal aids over time and relates them to the finances of both the Federal Government and State and local governments. This analysis also provides a profile of Federal grants by region, and that portion benefiting metropolitan areas.

Special Analysis O brings together information on Federal construction and federally aided State and local public works. It also includes information on major Federal programs affecting construction by private cooperative and nonprofit groups.

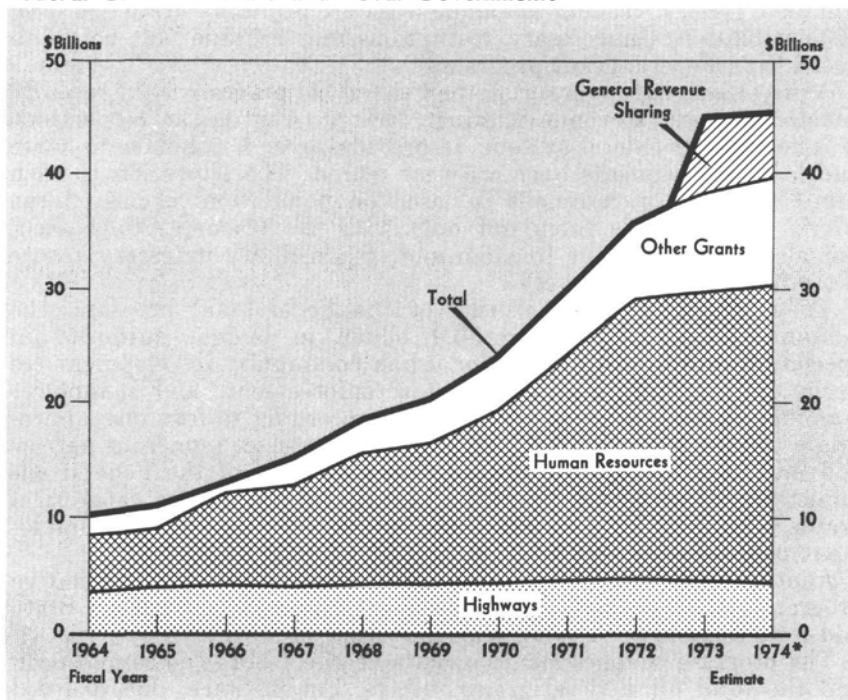
Special Analysis P identifies Federal programs for the conduct of research and development, and for facilities related to such activities.

Special Analysis Q identifies Federal funding for selected environmental activities, including pollution control and abatement, environmental protection and enhancement, sewer and water programs, and understanding, describing, and predicting the environment.

Special Analysis R discusses the coordinated Federal effort directed toward reducing drug abuse and eliminating illicit drug traffic.

SPECIAL ANALYSIS N
FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Federal Grants to State and Local Governments



*For comparability with prior years, includes \$1.1 billion, which is equivalent to what the Federal share of grants for the adult public assistance categories would have been in the second half of 1974 if Public Law 92-603 had not been enacted. Under Public Law 92-603, starting Jan. 1, 1974, the Federal Government assumes the entire cost of this program, including administration and benefit liberalizations.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

In 1974, Federal aid to State and local governments will total \$45.2 billion including \$327 million in net loan outlays.

Several unusual factors affected the grants totals in 1973 and 1974, and the change between the 2 years:

- the assumption by the Federal Government in 1974 of the public assistance program for the aged, blind, and disabled;
- a General Revenue Sharing payment retroactive to 1972, but paid in 1973;
- a partial advance payment of \$1 billion in public assistance grants made in 1972;
- the phasing down of the emergency employment assistance program because of improved economic conditions; and
- cost-limiting legislation affecting medicaid and social services.

In the past, much has been made of *how much* Federal aid is provided. As the 1974 total shows, generous aid will continue. Continuing also is increased attention to the new partnership between the Federal, State, and local governments and *how well* Federal aid is spent. Programs will be thoroughly evaluated, and ineffective programs will be terminated. Decentralization of the Federal Government will be accelerated, and increasingly State and local governments will have greater freedom to handle what are primarily State and local responsibilities. Unnecessary restrictions and redtape will be eliminated from Federal grant programs.

A major step in restructuring the Federal aid program is the recently enacted General Revenue Sharing. This program is the cornerstone of a revitalized federal system. It provides over \$30 billion to State and local governments over a 5-year period. The allocation to each State and local government is based on population, need and tax effort, and provides them not only with the resources they need, but also gives them the freedom and responsibility necessary to use those funds most effectively.

To continue the restructuring of the Federal aid program, the Administration is proposing \$6.9 billion in budget authority in special revenue sharing funds for urban community development (to begin July 1, 1974), education, law enforcement, and manpower training. These funds will be disbursed according to formulas appropriate to each function, and, in general, will replace numerous narrow and ineffective categorical grants. Freed of most of the Federal administrative restrictions previously associated with these categorical grants, State and local governments will be able to design and implement programs tailored to local conditions and priorities.

Another significant proposal in the President's 1974 legislative program includes a highway/mass transit initiative to increase State and local flexibility to solve transportation problems.

The program changes mentioned above affect both the composition and the total for Federal grant outlays. For instance, due to fiscal pressures on the States, and in an effort to help accelerate State fiscal management reform, an advance Federal payment roughly equal to the costs for 1 month was made to States in 1972 for welfare payments and services. This made 1972 outlays higher than planned.

The passage of the 1972 social security amendments also affects the composition and level of grants. Provisions in that law shift responsibility for administering public assistance for the aged, blind, and disabled, from the States to the Social Security Administration. Thus outlays of about \$1.7 billion will be made as direct transfers to individuals beginning in the second half of 1974, rather than as grants to State and local governments, giving those governments the option of a substantial saving in matching payments.

In the medical area, the social security amendments also allow the States lower maintenance of effort in both optional and basic Medicaid services. Because this too is a matching grant, lower State effort is expected to reduce the Federal share by about \$355 million in 1973, and by about \$700 million in 1974. This will save the States about \$580 million of their own funds in 1974. These savings will be partially offset by expanded Medicaid service for the aged, blind, and disabled.

Another grant, the temporary Emergency Employment Assistance program, is being phased down, consistent with the increase in jobs in the private sector.

Revenue sharing is larger in 1973 than in 1974, because the payment made in 1973 includes a \$2.65 billion entitlement retroactively applied to 1972. Finally, title III of the revenue sharing bill puts a \$2.5 billion limit on Federal grants for social services under public assistance programs. The objective is to increase control over this formerly open-ended program. Outlays for this program in 1972 were \$1.9 billion. The \$2.5 billion limit will permit an increase in 1973 spending to a level seven times the level prevailing in 1969.

In total, Federal aid programs will finance about 21.3% of State and local expenditures in 1974. As can be seen in table N-1, the largest portion of direct Federal aid is administered by the Department of Health, Education, and Welfare.

Table N-1. FEDERAL GRANTS EXPENDITURES BY AGENCY (in millions of dollars)

Agency	1972 actual	1973 estimate	1974 estimate
Funds appropriated to the President.....	1,259.3	1,253.8	839.7
Department of Agriculture.....	3,614.4	4,194.2	4,207.7
Department of Commerce.....	214.3	238.3	231.0
Department of Defense—Military.....	45.2	61.3	73.7
Department of Defense—Civil.....	4.0	3.0	2.3
Department of Health, Education, and Welfare.....	18,933.6	18,969.8	18,943.1
Department of Housing and Urban Development.....	2,718.5	2,958.8	3,245.2
Department of the Interior.....	359.9	435.3	471.7
Department of Justice.....	321.0	473.9	701.2
Department of Labor.....	2,497.0	2,921.8	2,362.5
Department of State.....	4.8	6.5	8.2
Department of Transportation.....	4,980.5	5,349.2	5,308.4
Department of the Treasury.....	174.9	6,979.1	6,245.3
Environmental Protection Agency.....	459.7	787.3	1,669.4
Veterans Administration.....	18.7	23.7	25.3
District of Columbia.....	173.7	190.0	190.0
Other.....	160.6	162.0	300.6
Total expenditures for Federal grants.....	35,940.1	45,008.0	44,825.3

Note.—Detail may not add to totals due to rounding.

¹ Excludes \$1.7 billion representing direct Federal payments to adult public assistance recipients starting Jan. 1, 1974. On that date, under Public Law 92-603, the Federal Government assumes responsibility for the entire basic benefits.

Apart from direct Federal aid, many other Federal activities that are not included in this analysis affect the finances of State and local governments. For example, the exemption of interest on State and local bonds from Federal income taxes reduced interest costs to State and local governments by about \$2.0 billion in 1972, resulting in a revenue loss to the U.S. Treasury of about \$3.0 billion. Similarly, since taxpayers may deduct State and local taxes from Federal taxable income, a portion of State and local taxes is offset by a reduction in taxpayers' Federal liability. In 1972, the value of this deduction in terms of tax savings to individuals was approximately \$9.0 billion. The Federal Government has also donated Federal land to State and local governments for recreation uses, such as for parks and beaches. It is estimated that between 1971 and 1973 the Federal Government

will have donated 40,000 acres, worth over \$56 million, to State and local governments.

HISTORICAL PERSPECTIVES

Federal aid to State and local governments has been a part of the American federal system since the country's earliest days. Under the Articles of Confederation, Congress provided grants of Federal land in 1785 to support education in the Northwest Territory.

Although Federal grants have a long history, the major growth in the number of grant programs and amounts of money provided has occurred only in the past two decades. The composition of the total grant program has changed significantly, particularly since 1960, as shown in table N-2. The functions comprising human resource programs—education and manpower, health, and income security—show a rapid growth during the 1960-74 period, rising from 47% of Federal aid in 1960 to an expected 55% in 1974. On the other hand, physical resource programs (mainly in the commerce and transportation function) declined from 52% of the total in 1960 to 28% in 1974, largely because of the dominance of highway grants in the earlier period.

Table N-2. PERCENTAGE DISTRIBUTION OF FEDERAL AIDS TO STATE AND LOCAL GOVERNMENTS BY FUNCTION

Function	1950 actual	1955 actual	1960 actual	1965 actual	1970 actual	1974 estimate
Agriculture and rural development....	5	7	4	5	3	2
Natural resources and environment....	2	3	2	2	3	5
Commerce and transportation.....	21	19	43	40	21	13
Community development and housing..	(1)	3	3	5	11	8
Education and manpower.....	11	14	10	10	18	14
Health.....	5	4	4	7	15	15
Income security.....	55	47	33	29	26	26
General Revenue Sharing.....						14
General government and other.....	1	2	1	2	3	3
Total.....	100	100	100	100	100	100

¹ Less than 0.5%.

During the 1950's and 1960's Federal aid to State and local governments increased sharply from \$2 billion in 1950 to \$45 billion in 1974. This is an average annual increase of over 13.0%, compared to the average annual increase of State and local own-source revenues of about 9.5%. The results have been mixed; while Federal grants have resulted in significant benefits, this rapid growth has been accompanied by many problems, including:

- Program delays and uncertainty caused by unnecessarily detailed and costly application requirements;
- Unnecessary limitations on the authority and responsibilities of Governors, mayors, county executives, and city managers;
- The creation of competitive and duplicative State and local governmental institutions;

- Rigid funding and organizational arrangements which were unable to adjust to changes in priorities over time, such as matching fund requirements; and
- Large and increasing demands on the Federal budget.

These Federal grant programs were aimed at problems deemed by their sponsors to be of national interest, but the impact of the programs on the strength and ability of the State and local governments to carry out their other responsibilities was often overlooked. Clearly, reevaluation of the relationship between the Federal Government and State and local governments was called for. Accordingly, during the last 4 years, the continued expansion of grant expenditures was accompanied by reform efforts, such as grant simplification, General Revenue Sharing, greater emphasis on program evaluation, and decentralization of Federal agencies. These reform efforts have become the major focus of the 1974 Federal aid program.

Lately, this trend in State and local government budgets is in sharp contrast with the Federal Government's fiscal situation. Federal spending on aids to State and local governments and on benefit payments to individuals under major retirement and social insurance programs was only 14% of the Federal budget 20 years ago. By 1968, this spending was about 30% of the budget, and in 1974 will amount to about 50%. In many cases, under existing legislation, these programs will receive substantial automatic increases in the future. In some respects, the Federal Government now faces a situation where it is under more fiscal pressure than State and local governments as a whole. Further liberalization of these Federal programs cannot be financed without either reducing other important spending, or increasing Federal taxes.

State and local governments have met the bulk of the school challenge; and Federal grants for environmental protection and the Environmental Financing Authority will help meet a substantial part of the newly recognized responsibilities in the environmental area. The Federal Government has also assumed direct responsibilities for income support of welfare assistance to the aged, the disabled, and the blind, alleviating the State and local burden, but adding to the Federal burden. Finally, the passage of General Revenue Sharing has provided a significant increase in Federal aid to State and local governments.

Within the context of an improved State and local fiscal situation—aided by continued substantial Federal assistance—the emphasis must now turn to giving State and local governments greater freedom to handle what are primarily State and local responsibilities, decentralizing Federal decisionmaking, emphasizing program evaluation, and ending ineffective programs.

REFORM OF THE GRANT SYSTEM

In recognition of these changed circumstances, the Administration has proposed, and is carrying out, basic reforms in Federal Government programs and institutions, and in the structure of Federal aid to State and local governments. These changes embrace three approaches: sorting out appropriate governmental roles, improving the effective programs and eliminating the ineffective ones, and modernizing management.

Basic reform is being undertaken in such major functional areas as welfare, health, and mass transit. Federal assumption of adult welfare categories should help to alleviate the financial pressures on State and local governments and should provide substantial savings in the long run. An Environmental Financing Authority is being established which will assist in financing expanded pollution control facilities for those communities which are unable to borrow for this purpose at reasonable interest rates. In the area of health, Federal emphasis will be increasingly on financing, rather than the delivery of health services and national health insurance legislation will be proposed. All of these proposals will allow State and local governments greater freedom in designing programs to meet their particular needs.

Finally, General Revenue Sharing establishes the basis for a new fiscal relationship between Federal, State, and local governments. This relationship will be strengthened with the special revenue sharing programs, the broad formula grant initiative in transportation, and the administration of the new Rural Development Act authorities in a manner consistent with the revenue sharing concept.

A long-needed overhaul of management processes in Federal aid and other programs is being carried out. The regional boundaries of the major domestic departments of the Federal Government have been modified so that their headquarter cities and the regions that they cover conform. Along with decentralization of decisionmaking and the continued strengthening of the Federal regional councils, this facilitates communication and cooperation among Federal agencies, other regional bodies, and State and local governments. At the same time, many numerous and inconsistent requirements imposed on grantees by the various Federal agencies have been eliminated or drastically simplified. All of these actions will help to make administration of federally supported programs easier for State and local governments.

Table N-3. DISTRIBUTION OF GRANTS BY FEDERAL ADMINISTRATIVE REGIONS, FISCAL 1971

Region ¹	Total (in millions of dollars)	Per capita
I—Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island.....	1,734	144
II—New York, New Jersey, Puerto Rico, Virgin Islands.....	4,545	160
III—Virginia, Pennsylvania, Delaware, Maryland, West Virginia, District of Columbia.....	3,510	148
IV—Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida.....	4,696	145
V—Illinois, Indiana, Michigan, Ohio, Wisconsin, Minnesota.....	4,696	105
VI—Arkansas, Louisiana, Oklahoma, New Mexico, Texas.....	3,061	148
VII—Iowa, Kansas, Missouri, Nebraska.....	1,337	118
VIII—Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming..	1,040	182
IX—Arizona, California, Nevada, Hawaii, other territories.....	4,017	171
X—Idaho, Oregon, Washington, Alaska.....	1,155	174
United States.....	29,844	143

¹ These are not the same regions as those used by the Department of Commerce. See table N-6. Note.—Detail may not add to total due to rounding and unallocated residuals.

Government operations are being simplified and decentralized in several other ways—through revised grant programs procedures, through the introduction of special revenue sharing and through broad-purpose formula grants. In the grant area, the administration proposes to renew efforts to provide for:

- Consolidation of closely related programs;
- Authorization of joint funding of projects across agency lines through the integrated grant administration program; and
- Assistance to Governors, mayors, and county executives in improving their policy planning and implementation capacity.

Thus, the focus on reform in 1974 calls for continued Federal administrative reform, a reevaluation of Federal, State, and local responsibilities, and the phaseout or termination of outmoded or low-priority programs in favor of special revenue sharing and broad, flexible formula grants.

REVENUE SHARING

Revenue sharing is one of the most innovative and far-reaching reforms of the Federal system. In describing the revenue sharing program, the President stated: "The time has come for a new partnership between the Federal Government and the States and localities—a partnership in which we entrust the States and localities with a larger share of the Nation's responsibilities, and in which we share our Federal revenues with them so that they can meet those responsibilities. . . ."

The major characteristics of the Administration's revenue sharing plan are the following:

- A newly enacted program of General Revenue Sharing for State and local governments, with minimal restrictions;
- Four proposed special revenue sharing programs in broadly defined areas of national concern, where State and local governments have the primary responsibility; and
- Maintenance of those categorical grant programs that are effective and for which there is a clear, continuing national requirement.

The State and Local Fiscal Assistance Act of 1972, which embodies General Revenue Sharing, is a giant step toward the goal of reforming the Federal-State and local relationship. Title I initiates a program of General Revenue Sharing based on need and fiscal effort, and title II gives States the option of having the Federal Government collect their income taxes for them.

The main features of Title I (General Revenue Sharing) are the following:

- *Predictability.*—A total of \$30.2 billion has been appropriated for 5 calendar years, with the appropriation growing from \$5.3 billion in 1972 to \$6.5 billion in 1976 at annual rates. States and localities can thus plan on the basis of assured revenue;
- *Minimal restrictions.*—There is no program limitation on expenditures by States and only broad guidelines for localities. Local allotments must be expended within a wide grouping of "priority"

items: public safety, social services, environmental protection (including sanitation), public transportation, health, recreation, libraries, and "ordinary and necessary" capital expenditures. Federally imposed administrative requirements are minimal;

- *Distribution.*—The entitlement of each State is determined by formulas based on population, tax effort, and the inverse of per capita income. Allocations will be based on data prepared on a regular basis by the Department of Commerce. No costly, time-consuming applications will be required; and
- *Guaranteed funds for cities and counties.*—City and county governments are to receive two-thirds of the funds allocated to each State. Distribution of funds among a State's cities and counties is determined by a formula similar to that used for the State.

Title II can result in more efficient tax administration through elimination of duplication of effort by Federal and State tax agencies, and economies of scale in collection, if States take advantage of the option.

Special revenue sharing will consist of four broad-purpose grants. These grants will replace narrow categorical grant programs, providing State and local governments with flexible funding for urban community development (to begin July 1, 1974), education, law enforcement and criminal justice, and manpower training. Funds for special revenue sharing will be disbursed according to formulas appropriate to each function. In the case of manpower revenue sharing, administrative requirements will be removed to allow State and local governments to group manpower services in ways which meet local needs, and to designate the organizations to operate programs.

Table N-4. SPECIAL REVENUE SHARING, BUDGET AUTHORITY, FIRST FULL YEAR

Description	Billions
Urban community development.....	2.3
Education.....	2.5
Manpower training.....	1.3
Law enforcement.....	.8
Total.....	6.9

Special revenue sharing emphasizes the belief that in many cases State and local governments are in a better position than the Federal Government to design and implement responsive and effective programs which meet local conditions and priorities. Eliminating or reducing the Federal administrative role in these programs will relieve State and local governments of many federally imposed requirements and limitations, including, in most cases, the elimination of matching requirements. Federal civil rights requirements will, however, be retained for both General and special revenue sharing.

THE IMPACT OF FEDERAL AID

Federal aid has become an increasingly significant factor in the finances of all levels of government, rising from 8.6% of total Federal outlays in 1964 to an estimated 16.7% in 1974. In terms of civilian domestic programs, 24.8% of 1974 Federal outlays will take the form of aids to State and local governments. The effect on State and local expenditures has not been quite as marked, since their expenditures have been rising at a much faster rate than Federal outlays. Nevertheless, Federal aid has risen as a proportion of State and local expenditures from 13.5% in 1960 to an estimated 21.3% in 1974.

Table N-5. FEDERAL-AID OUTLAYS IN RELATION TO TOTAL FEDERAL OUTLAYS AND TO STATE-LOCAL EXPENDITURES

Fiscal year	Federal aid			
	Amount (millions)	As a percent of—		
		Total Federal outlays	Domestic Federal outlays ¹	State-local expenditures ²
1959.....	\$6,669	7.2	15.9	13.9
1960.....	7,040	7.6	16.4	13.5
1961.....	7,112	7.3	15.4	12.6
1962.....	7,893	7.4	15.8	13.2
1963.....	8,634	7.8	16.5	13.3
1964.....	10,141	8.6	17.9	14.6
1965.....	10,904	9.2	18.4	14.6
1966.....	12,960	9.7	19.2	15.6
1967.....	15,240	9.6	19.5	16.3
1968.....	18,599	10.4	20.9	18.2
1969.....	20,255	11.0	21.3	17.4
1970.....	23,954	12.2	21.9	18.3
1971.....	29,844	14.1	23.5	19.8
1972.....	35,940	15.5	24.5	21.3
1973 estimate.....	45,008	18.0	27.0	23.8
1974 estimate.....	³ 44,825	16.7	24.8	21.3

¹ Excluding outlays for defense, space, and international programs.

² "Governmental Finances in 1970-71," Bureau of the Census.

³ Excludes \$1.7 billion representing direct Federal payments to adult public assistance recipients starting Jan. 1, 1974. On that date, under Public Law 92-603, the Federal Government assumes responsibility for the entire basic benefits.

State and local spending has been substantially influenced by those Federal grants that require the recipient government to match Federal aid funds with its own resources and by demands that certain organizations be created and maintained. In the last few years, State and local governments have had to allocate about 10% of their own revenue to match Federal grant moneys. The elimination of most matching requirements for the programs replaced by special revenue sharing will reduce this, and free State and local resources for high-priority use as the State and local governments choose.

Federal aid varies widely among regions, ranging in 1971 from a high of \$178 per capita in the Rocky Mountain region to a low of \$102 per capita in the Great Lakes area. There are often substantial differ-

ences even among States in the same region. Some of the variation can be attributed to differentials in per capita income and population density.

There are two reasons for the relationship between income and Federal aid. Some grant programs require lower matching ratios for the poorer States. Other programs, such as those for public assistance and elementary and secondary education, are designed as aids to the disadvantaged and tend to flow to States having proportionately more individuals with lower incomes.

The effect of population density is especially evident in the thinly populated Western States, where highway construction grants and shared revenues from Federal land holdings greatly increase levels of per capita aid. For example, the Rocky Mountain region has the lowest regional population density, extensive Federal land holdings, and the highest per capita aid. For a State-by-State, program-by-program tabulation of Federal grants, see the forthcoming Treasury Department publication "Federal Aid to States—Fiscal Year 1972."

Table N-6. REGIONAL DISTRIBUTION OF FEDERAL AID, FISCAL 1971

Region ¹	Total (in millions of dollars)	Per capita	Percent of State and local govern- ment general expenditure ²
New England.....	1,734	144.21	19.0
Mideast.....	6,642	154.94	17.7
Great Lakes.....	4,164	102.26	15.1
Plains.....	2,099	126.87	18.5
Southeast.....	6,629	148.81	25.4
Southwest.....	2,349	139.63	23.2
Rocky Mountain.....	918	178.79	24.6
Far West.....	4,736	172.62	18.8
United States.....	29,844	142.71	19.8

¹ These are the same regions as those used by the Department of Commerce.

² "Federal Aid to States—Fiscal Year 1971," Department of the Treasury, and "Governmental Finances in 1970-71," Bureau of the Census. These reports provide additional information concerning State distribution of Federal grants.

Within these totals, however, an important qualitative shift is taking place—the increasing emphasis on urban areas. The American population is becoming increasingly urban; today, about 70% of the population lives in the 269 standard metropolitan statistical areas (SMSA's). SMSA's include the bulk of that urban population which places heavy pressure on public service requirements—areas where population growth and population density are high. \$31.4 billion or 70% of Federal grants will be either spent in or directly affect these SMSA's in 1974. This is an increase of \$25.8 billion, or nearly 460% more than the level provided to these urban areas in 1964.

Table N-7. FEDERAL-AID OUTLAYS IN SMSA'S (in millions of dollars)

Function and program	1961 actual	1964 actual	1969 actual	1974 estimate
National defense	10	28	30	62
Agriculture and rural development:				
Donation of surplus commodities.....	128	231	313	443
Other.....	27	40	104	132
Natural resources and environment:				
Environmental protection.....	24	8	79	1,252
Other.....	30	10	101	227
Commerce and transportation:				
Economic development.....		158	104	181
Highways.....	1,398	1,948	2,225	2,594
Airports.....	36	36	83	187
Urban mass transportation.....			122	438
Other.....	1	5	5	101
Community development and housing:				
Funds appropriated to the President.....			432	244
Urban renewal.....	106	559	786	788
Public housing.....	105	136	257	947
Water and sewer facilities.....		36	52	80
Model Cities.....			8	567
Other.....	2	17	75	207
Education and manpower:				
Education revenue sharing.....				1,185
Elementary and secondary.....	222	264	1,262	449
Higher education.....	5	14	210	54
Vocational education.....	28	29	179	256
Employment security.....	303	344	449	315
Manpower revenue sharing.....				663
Manpower activities.....		64	530	624
Other.....	3	7	333	1,209
Health:				
Health services and planning.....	48	66	109	159
Health services delivery.....	47	82	219	486
Mental health.....	4	8	77	313
Preventive health services.....				27
Medical assistance.....		140	1,731	3,209
Health manpower.....			107	246
Other.....		4	54	30
Income security:				
Vocational rehabilitation.....	37	61	247	611
Public assistance.....	1,170	1,450	3,022	5,380
Child nutrition, special milk and food stamps.....	131	168	482	1,940
Other.....	3	16	148	546
General government:				
Law enforcement (including law enforcement revenue sharing).....			17	615
National Capital region.....	25	38	85	307
Other.....		9	27	115
Other functions		2		15
General Revenue Sharing				14,225
Total aids to urban areas	3,893	5,588	14,045	31,429

¹ Tentative estimated impact.

FEDERAL STATISTICS ON AID TO STATE AND LOCAL GOVERNMENTS

The Federal Government produces three major statistical series showing Federal aid to State and local governments. Table N-8 shows the principal differences between these series over a 7-year period.

As the table indicates, there is a growing divergence between the series shown in this analysis and the two other series. These differences are due to the divergent purposes of the data. The budget series is designed to provide a broad picture of Federal aid to State and local governments. It includes programs either operated directly by State or local governments or coordinated through or approved by State agencies. It also includes outlays whether cash payments or in-kind, as well as aid to the Governments of Puerto Rico, the Virgin Islands, and other territories. The basic focus is on programs aimed to serve the public but not directly administered by the Federal Government.

Table N-8. **THREE MEASURES OF FEDERAL AID TO STATE AND LOCAL GOVERNMENTS, 1965-1971** (in billions of dollars)

	1965	1966	1967	1968	1969	1970	1971
Budget (Special Analysis O).....	10.9	13.0	15.2	18.6	20.3	24.0	29.8
Principal exclusions:							
Agricultural commodities.....	-.4	-.3	-.3	-.5	-.7	-.6	-.6
Food stamps.....	.*	-.1	-.1	-.2	-.2	-.6	-1.5
Geographical exclusions.....	-.2	-.2	-.3	-.3	-.4	-.4	-.4
Add payments for research.....	.8	.9	1.0	1.1	1.1	1.2	1.4
All other, net.....	*	-.2	-.4	-.7	-.7	-.4	-1.2
Federal payments (Census).....	11.1	13.1	15.0	18.1	19.4	23.3	27.5
Exclude low-rent public housing..	-.2	-.2	-.2	-.3	-.3	-.4	-.5
All other, net.....	.1	-.2	.*	*	.1	-.3	.*
Grants-in-aid (national income ac- counts).....	10.9	12.7	14.8	17.8	19.2	22.6	27.0

*Less than \$50 million.

Both the Census and National Income Accounts (NIA) definitions of grants are designed to match their respective definitions for data encompassing the entire economy. These series are restricted to cash payments and therefore exclude payments in-kind which the budget includes. The principal payments in-kind are commodities purchased by the Department of Agriculture and donated to the school lunch and other feeding programs. Both Census and NIA confine their data to the 50 States and the District of Columbia, thus excluding any payments to Puerto Rico and other territories. Another major difference is created by including food stamp payments in the budget definition while Census and the NIA exclude them. These payments are similar in nature to the public assistance grants but are administered somewhat differently.

One major group of payments which the budget definition excludes but Census and the NIA include are payments for research conducted by public universities. The budget series excludes these because they are considered to be largely a purchase of services for the Federal

Government rather than aid for State programs. Since both Census and the NIA focus mainly on cash payments, they count these as grants.

The principal remaining difference between the budget usage and both Census and NIA usages has to do with payments made to private, nonprofit entities which are performing the same types of services as the State and local governments and which are carried out under a State plan. Examples are nonprofit hospitals, and manpower training programs. Since these payments have grown at a rapid rate, the gap between the budget and the Census and NIA series has widened considerably in recent years.

There are various other—relatively minor—differences between the three series. The one major outlay included in the budget and Census series but excluded from the NIA series is payments for low-rent public housing, which the NIA counts as purchases by the Federal Government rather than as grants.

Further information on the NIA grant series may be found in Special Analysis A of this volume.

There are also different definitions of functions among the three series. For example, the coverage of certain functions, such as health or welfare, is not the same for all three series.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹
(expenditures in millions of dollars)

Agency and program	Functional code	1972 actual	1973 estimate	1974 estimate
National defense:				
Department of Defense—Military:				
Civil defense shelters and financial assistance.....	051	25.8	34.9	36.7
Construction of Army National Guard centers.....	051	19.4	26.4	37.0
Atomic Energy Commission.....	058	4.8	5.3	5.4
Total, national defense.....		50.0	66.6	79.1
International affairs and finance:				
Department of State:				
East-West Cultural and Technical Interchange Center..	153	4.8	6.0	6.5
International Center, Washington, D.C.....	151		.5	1.7
Total, international affairs and finance.....		4.8	6.5	8.2
Agriculture and rural development:				
Department of Agriculture: Agricultural Marketing Service				
Rural water and waste disposal facilities.....	351	604.8	801.1	739.7
Mutual and self-help housing.....	352	35.4	46.5	46.6
Rural housing for domestic farm labor.....	352	.8	3.0	3.0
Resource conservation and development.....	352	.8	5.1	1.7
Consumer protective programs.....	354	6.6	9.6	13.3
Cooperative agricultural extension service.....	355	6.0	31.1	31.1
Agricultural Research Service.....	355	146.7	164.2	163.1
Cooperative State Research Service.....	355	7.2	11.1	12.1
Total, agriculture and rural development.....		880.4	1,152.4	1,076.2

See footnotes at end of table.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹—Con.
(expenditures in millions of dollars)

Agency and program	Functional code	1972 actual	1973 estimate	1973 estimate
Natural resources and environment:				
Department of Agriculture:				
Watershed protection and flood prevention.....	401	80.1	102.1	82.4
Grants for forest protection and utilization.....	402	25.5	21.0	21.0
National forest and grassland funds: payments to States and counties (shared revenue).....	402	57.5	85.6	102.9
Assistance to States for tree planting.....	402	.9	.8	.8
Department of Defense—Civil: Corps of Engineers:				
Flood control.....	401	1.2	-----	-----
Payments to States, Flood Control Act of 1954 (shared revenue).....	401	2.8	3.0	2.8
Department of the Interior:				
Payments to States and counties (shared revenue)....	402	89.5	94.4	94.9
Bureau of Reclamation.....	401	3.0	.8	3.6
Mine drainage and solid waste disposal.....	403	*	.2	.2
Fish and wildlife restoration and management.....	405	53.8	62.2	64.6
Outdoor recreational areas (Land and Water Conservation Fund).....	405	89.4	126.3	160.0
Preservation of historic properties.....	405	3.9	4.5	9.5
Office of Water Resources Research.....	401	10.9	10.0	10.1
Land use planning.....	-----	-----	-----	8.0
Federal Power Commission: Payments to States (shared revenue).....	401	*	*	*
Tennessee Valley Authority: Payments in lieu of taxes (shared revenue).....	401	25.7	27.3	31.4
Water Resources Council.....	401	2.9	4.2	3.0
Environmental Protection Agency.....	401	459.7	787.3	1,669.4
Total, natural resources and environment.....	-----	906.8	1,329.7	2,264.6
Commerce and transportation:				
Funds appropriated to the President:				
Public works acceleration.....	507	.3	1.4	-----
Appalachian development.....	507	234.5	260.6	291.8
Department of Commerce:				
State marine schools.....	502	.5	.5	.5
Regional development.....	507	26.2	34.9	19.9
Promotion of tourism.....	506	.6	.9	.8
Minority Business Enterprise.....	506	.1	3.0	16.4
National Oceanic and Atmospheric Administration....	506	20.0	23.5	21.8
Economic development assistance.....	507	167.0	175.6	171.7
Department of the Interior: Resources management....	507	2.2	2.4	2.3
Department of Transportation:				
Forest and public lands highways.....	503	33.9	25.6	27.2
Highway beautification.....	503	4.7	27.0	37.0
Highway safety.....	503	77.8	74.3	116.0
Federal-aid highways (trust fund).....	503	4,561.5	4,614.7	4,418.6
Urban mass transportation facilities.....	503	178.9	349.7	440.9
Federal aid for airports and airways.....	501	105.5	220.0	234.0
Other.....	---	18.3	39.2	36.2
Total, commerce and transportation.....	---	5,432.0	5,853.3	5,835.1

See footnotes at end of table.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹-Con.

(expenditures in millions of dollars)

Agency and program	Functional code	1972 actual	1973 estimate	1974 estimate
Community development and housing:				
Funds appropriated to the President.....	551	708.4	638.0	301.9
Department of Housing and Urban Development:				
Model city grants.....	551	491.4	578.4	596.5
Urban renewal.....	551	1,218.0	950.0	1,050.0
Open space land and urban beautification.....	551	52.3	57.0	70.0
Grants for basic water and sewer facilities.....	551	134.0	130.0	122.7
Grants for neighborhood facilities.....	551	23.2	26.0	35.0
Community Planning and Management.....	551	49.2	96.1	105.0
Low-rent public housing programs.....	555	750.2	1,120.7	1,265.3
Legal Services Corporation.....	551	-----	-----	31.5
Total, community development and housing.....	---	3,426.7	3,596.2	3,577.9
Education and manpower:				
Funds appropriated to the President.....	601	227.9	32.1	-----
Department of Health, Education, and Welfare:				
Office of Child Development.....	601	201.8	370.5	397.1
Elementary and secondary education.....	601	1,882.9	1,846.6	551.9
Education revenue sharing.....	604	-----	-----	1,692.7
Assistance to schools in federally affected areas.....	601	602.2	421.9	82.7
Education of the handicapped.....	601	32.7	36.8	10.8
Civil rights education.....	601	18.4	11.9	1.3
Higher education activities.....	602	215.7	135.1	84.0
(Portion to private institutions).....	---	(52.5)	(30.9)	(20.7)
Vocational education.....	603	501.2	529.6	290.1
Libraries and community services.....	605	68.2	93.3	61.8
Educational Development.....	605	109.5	145.0	216.0
Work incentive activities.....	607	163.0	379.2	521.0
Emergency school assistance.....	601	68.9	57.7	200.6
Department of Labor:				
Manpower training activities.....	607	1,156.1	964.0	-----
Manpower revenue sharing.....	607	-----	-----	884.2
Grants for employment services.....	607	-----	63.6	64.4
Occupational safety.....	609	-----	26.4	25.7
Grants to States for administration of employment security and training programs (trust fund).....	607	360.5	349.5	379.4
Emergency employment assistance.....	607	557.9	1,072.7	570.7
Department of Interior: Bureau of Indian Affairs:				
Education and welfare services.....	601	24.1	28.8	24.6
National Foundation on the Arts and the Humanities.....	608	6.1	7.0	8.3
Corporation for Public Broadcasting.....	605	35.0	35.0	45.0
Equal Employment Opportunities Commission.....	609	1.3	1.5	4.0
Other.....	---	8.3	6.5	2.7
Total, education and manpower.....	---	6,241.7	6,614.7	6,119.0
Health:				
Department of Health, Education, and Welfare:				
Development of health resources.....	651	153.5	126.0	113.7
Prevention and control of health problems.....	652	136.5	240.8	281.1
Health services planning and development.....	651	315.4	283.5	207.6
(Portion to private, nonprofit institutions).....	---	(137.2)	(99.7)	(96.5)
Health services delivery.....	652	511.0	496.5	552.4

See footnotes at end of table.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS 1—Con.

(expenditures in millions of dollars)

Agency and program	Functional code	1972 actual	1973 estimate	1974 estimate
Health²—Continued				
Preventive health services.....	653	1.1	45.1	38.0
Health manpower.....	651	253.5	246.5	286.9
Medical assistance.....	652	4,601.3	4,300.8	5,235.6
National Cancer Institute.....	651	.4	52.6	41.2
Other.....	---	1.2	.6	.5
Total, health.....	---	5,973.9	5,792.4	6,757.0
Income security:				
Funds appropriated to the President: Disaster relief.....	703	88.2	321.8	246.0
Department of Health, Education, and Welfare:				
Income maintenance payments.....	702	6,651.6	6,041.7	³ 5,460.4
Social services for welfare recipients.....	703	1,837.2	2,364.2	1,800.0
Vocational rehabilitation.....	703	604.8	740.3	814.0
Department of Agriculture:				
Food stamp.....	702	1,862.6	2,142.2	2,145.3
Child nutrition program and special milk.....	702	707.5	690.3	778.3
Social Security Administration:				
Special benefits for miners.....	701	.1	1.8	-----
Department of Labor:				
Retirement and social insurance (trust fund).....	701	416.0	441.7	438.0
Total, income security.....	---	12,168.0	12,744.0	³11,682.0
Veterans benefits and services:				
Veterans Administration:				
Aid to State homes.....	804	16.6	18.0	19.8
Grants for construction of State nursing homes.....	804	1.8	5.0	4.5
Administrative expenses.....	804	.3	.7	1.0
Total, veterans benefits and services.....	---	18.7	23.7	25.3
General government:				
Department of the Interior:				
Grants to territories.....	909	63.5	86.6	75.1
Internal revenue collections, Virgin Islands (shared revenue).....	909	19.4	18.5	18.0
Department of Justice: Law enforcement assistance.....	908	321.0	474.0	² 480.4
Law enforcement revenue sharing.....	908	-----	-----	220.8
Treasury Department: Tax collections for Puerto Rico (shared revenue).....	909	73.5	83.5	94.3
National Capital region:				
Federal payment to District of Columbia.....	909	173.7	190.0	190.0
Washington Metropolitan Transit Agency.....	---	84.0	79.9	167.4
Other.....	---	102.1	110.7	118.7
Total, general government.....	---	837.2	1,043.2	1,364.7
General revenue sharing.....	940	-----	6,785.6	6,035.0
Total, grants and shared revenues.....	---	35,940.1	45,008.0	³44,825.3

^{*}Less than \$100 thousand.¹Grants-in-aid unless otherwise specified. Excludes loans which are shown separately in table N-10.²Spend-out from prior year budget authority.³Excludes \$1.7 billion representing direct Federal payments to adult public assistance recipients starting Jan. 1, 1974. On that date, under Public Law 92-603, the Federal Government assumes responsibility for the entire basic benefits.

Table N-10. FEDERAL LOANS TO STATE AND LOCAL GOVERNMENTS

Agency and program	Disbursements			Net outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Natural resources:						
Department of the Interior: Reclamation loans.....	11.2	20.0	15.1	9.4	18.0	13.1
Total, natural resources.....	11.2	20.0	15.1	9.4	18.0	13.1
Commerce and transportation:						
Department of Commerce:						
Economic development assistance..	21.1	8.9	4.8	21.1	8.9	4.8
Public works loans.....			5.0			5.0
Department of Transportation:						
Mass transportation facilities.....		.6		-.2	.4	-.2
Right-of-way revolving fund.....	17.1	47.5	50.2	17.1	47.5	50.2
Total commerce and transportation.....	38.2	57.0	55.0	38.0	56.8	59.8
Community development and housing:						
Department of Housing and Urban Development:						
Low-rent public housing fund....	716.3	750.0	500.0	-24.8		-10.0
Housing management: Revolving fund.....	1.5	2.6	-2.4	-1.9	-.6	-5.8
Community development.....	615.5	713.2	700.6	-34.1	70.2	19.7
Total, community development and housing.....	1,333.3	1,465.8	1,198.2	-60.8	69.6	3.9
Education and manpower:						
Department of Health, Education, and Welfare:						
Higher education activities.....	15.3	12.0	10.0	8.2	4.0	1.4
Health Manpower.....	50.8	57.0	57.0	50.2	56.5	56.5
Department of Housing and Urban Development: College housing..						
	48.9	32.6	19.3	12.6	-10.5	-25.5
Total, education and manpower.....	115.0	101.6	86.3	71.0	50.0	32.4
General government:						
Department of Defense—Civil.....				-.3	-.4	-.4
Department of the Interior: Administration of territories:						
	3.3	6.2	2.0	2.9	5.5	1.0
District of Columbia.....	185.1	229.0	269.0	137.1	178.1	217.2
Total, general government.....	188.4	235.2	271.0	139.7	183.2	217.8
Total.....	1,686.1	1,879.6	1,625.6	197.3	377.6	327.0

SPECIAL ANALYSIS O

FEDERAL PUBLIC WORKS ACTIVITIES

This special analysis brings together information on budget authority and outlays for direct Federal construction and for grants and loans to aid State and local construction of public works. Some additional information is provided on grants and loans to aid construction by private cooperatives and nonprofit groups. Not included are other Federal activities affecting the level of private construction, such as Federal procurement, leases, loans, loan guarantees, interest subsidies, and tax concessions.

SUMMARY AND HIGHLIGHTS

In line with the President's policy to limit outlays in 1973 and 1974 in order to reduce inflationary impacts and to avoid a tax increase, Federal outlays for construction of public works will increase only 5% in 1974, rising from \$12.7 billion in 1973 to \$13.4 billion in 1974. Budget authority recommended will decline from \$21.9 billion in 1973 to \$11.6 billion in 1974, due primarily to the availability of 2 years of authority in 1973 for certain grant programs.

Budget authority and outlays are shown for 1972 through 1974 in table O-1 for direct construction, grants, and net loans.

Table O-1. **FEDERAL PUBLIC WORKS SUMMARY** (in millions of dollars)

Type	Budget authority			Outlays		
	1972 actual	1973 esti- mate	1974 esti- mate	1972 actual	1973 esti- mate	1974 esti- mate
Direct Federal construction:						
Civil.....	3,223	3,277	2,178	3,294	3,760	3,292
Defense.....	1,718	1,908	2,619	1,419	1,443	1,723
Total direct.....	4,941	5,185	4,797	4,713	5,203	5,015
Grants.....	9,665	16,542	6,544	6,548	7,219	8,064
Net loans.....	171	156	253	206	280	286
Total Federal public works.....	14,777	21,883	11,594	11,468	12,702	13,365

Note.—In this and the following tables nonconstruction costs are excluded; proposed legislation is included in the years 1973 and 1974.

The major changes in public works in 1974 are:

- Construction grant outlays are estimated to increase to \$8.1 billion in 1974, 12% higher than in 1973, financed largely from budget authority provided in earlier years.
- Outlays for waste treatment grants will more than double from \$727 million in 1973 to \$1.6 billion in 1974.

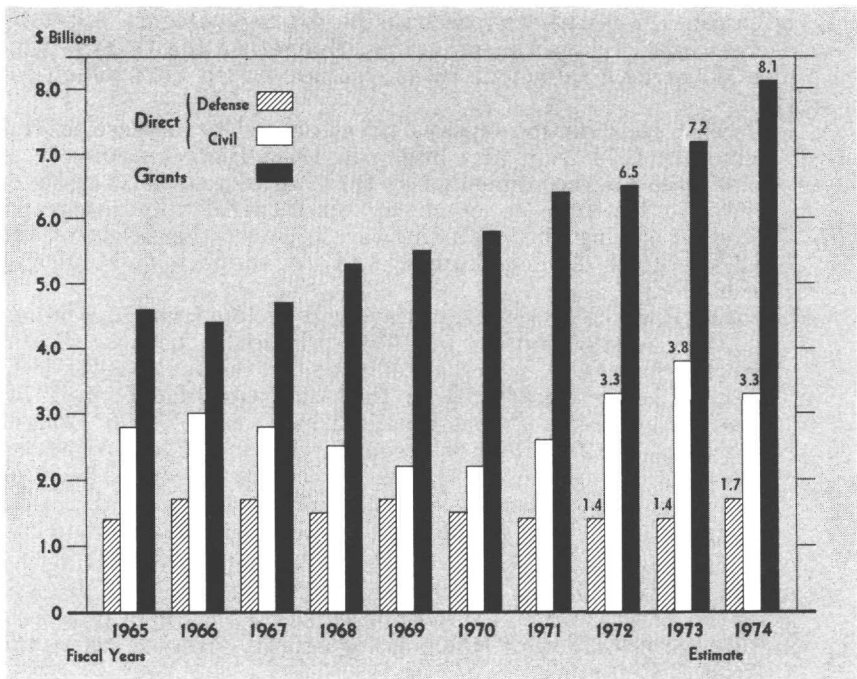
- Highway grant outlays will decrease from \$4.7 billion in 1973 to \$4.5 billion in 1974; but grants for urban mass transit facilities, including the Washington Metropolitan Area Transit Authority, will increase by \$178 million to \$605 million in 1974.
- Budget authority for grants in 1974 is \$6.5 billion, compared with \$16.5 billion in 1973. However, the 1973 total includes \$9.8 billion to be used for grant commitments over the 2-year period, 1973 and 1974, for waste treatment facilities and urban mass transit construction.
- Budget authority for highway grants totals \$5.5 billion in 1974, about the same as in 1973.
- Contract authority of \$560 million is recommended in 1974 for airport construction grant commitments in 1974 and 1975.
- No budget authority is recommended in 1974 for certain grant programs which are being phased out, such as basic water and sewer, hospital, law enforcement, educational, neighborhood, and economic development facilities. These are being discontinued as part of the President's policy to strengthen State and local responsibility and to make government more responsive to local needs rather than to Federal priorities. Additional resources are being provided to State and local governments by General Revenue Sharing and by special revenue sharing proposals. State and local governments also have increased capability to finance needed construction from borrowings.
- Outlays for direct Federal construction programs increase to \$5.2 billion in 1973, but are estimated to decline slightly to \$5.0 billion in 1974, with increases in the defense category offset by decreases in civil works programs. Budget authority is recommended at \$4.8 billion in 1974, compared with \$5.2 billion for 1973.
- Defense construction outlays are estimated to increase to \$1.7 billion in 1974 from \$1.4 billion in 1973. Budget authority of \$2.6 billion is recommended in 1974, an increase of 37% over 1973, to continue to catch up on modernization programs deferred during the Vietnam war, to meet the needs of the All-Volunteer Armed Forces, and to support new nuclear technology.
- For civil works programs, outlays will decline from \$3.8 billion in 1973 to \$3.3 billion in 1974, principally because Postal Service operations, which are included in the budgets for 1972 and 1973, are transferred to the Annexed Budgets in 1974, consistent with the Postal Reorganization Act of 1970. Budget authority of \$2.2 billion is recommended in 1974, a reduction of one-third from the 1973 total, reflecting a reduced level of water resource construction and continuation of the 1973 program to construct public buildings through private financing.
- Net loan outlays for public works construction are estimated at \$286 million in 1974, \$6 million higher than in 1973. Budget authority of \$253 million is recommended for such loan programs in 1974, \$239 million of which is for capital outlay loans to the District of Columbia.

Table O-2 and the accompanying chart provide information on the trend of construction outlays over a 10-year period. Construction grants show a steady increase over the decade from \$4.6 billion in 1965 to \$8.1 billion estimated for 1974. The effect of program changes and Presidential policies to reduce Federal spending, such as the deferral of new Federal construction in 1970 and reductions in 1973 and 1974 programs, are reflected in the trend of outlays for direct Federal construction.

Table O-2. **FEDERAL OUTLAYS FOR PUBLIC WORKS, 1965-74**
(In millions of dollars)

Fiscal year	Total Federal outlays	Direct Federal construction			Grants	Net loans
		Total	Civil	Defense		
1965	8,886	4,152	2,800	1,352	4,567	167
1966	9,428	4,693	3,014	1,679	4,446	289
1967	9,572	4,483	2,752	1,731	4,730	359
1968	9,520	3,972	2,460	1,513	5,264	284
1969	9,683	3,932	2,186	1,746	5,479	272
1970	9,791	3,740	2,200	1,540	5,796	255
1971	10,632	4,001	2,617	1,384	6,429	202
1972	11,468	4,713	3,294	1,419	6,548	206
1973 estimate	12,702	5,203	3,760	1,443	7,219	280
1974 estimate	13,365	5,015	3,292	1,723	8,064	286

Federal Outlays for Public Works



BACKGROUND

Construction of fixed structures is an important activity in the national economy, accounting for about one-tenth of the total gross national product. In recent years, the contract construction industry, which builds most of the structures, whether for private or public ownership, employed from 3 to 4 million persons. In fiscal 1972, the payroll of the industry, exclusive of supplementary benefits, approximated \$40 billion.

The value of construction put in place in the United States is estimated by the Department of Commerce by calendar years as follows:

	[In billions of dollars]		
	1971	1972	1973
Total construction put in place.....	109	122	130
Private ownership.....	79	91	96
Public ownership.....	30	31	34
State and local, including Federal aid.....	26	26	29
Federal.....	4	5	5

For a number of years, increases in Federal outlays and budget authority for public works have been largely for grants in aid of State and local construction, rather than for direct Federal works.

Recent program changes have the effect of reducing budget outlays and budget authority for public works without a corresponding reduction in the level of the Nation's total construction activity. Among the more important changes are: (1) The shift from direct construction of public buildings by the General Services Administration to the use of deferred purchase contracts with private financing and construction; (2) the transfer of the Postal Service to the Annexed Budgets; and (3) proposals for substitution of special revenue sharing for certain categorical grant programs.

In the following discussion of Federal public works activities, construction is defined as the design and production of publicly owned fixed works and structures or substantial alterations to land, including new works and major additions, alterations, improvements and replacements of existing works. Detailed planning and the cost of sites for specific construction projects are included. Preliminary planning and surveys prior to the selection of a site, general purpose land acquisitions, such as those for parks and forests, and general maintenance and repair are excluded.

GRANTS AND NET LOANS FOR PUBLIC WORKS

Federal outlays for grants and loans to help State and local governments construct public facilities are summarized by agency in table O-3.

Table O-3. GRANTS AND NET LOANS FOR PUBLIC WORKS: OUTLAYS AND 1974 BUDGET AUTHORITY, BY AGENCY (in millions of dollars)

Program and agency	Outlays			Budget authority 1974 estimate
	1972 actual	1973 estimate	1974 estimate	
Grants to State and local governments:				
Funds appropriated to the President:				
Appalachian regional development programs	199	209	225	228
Department of Agriculture:				
Farmers Home Administration	26	52	48	-----
Soil Conservation Service	87	111	95	69
Department of Commerce: Economic Development Administration	158	164	162	-----
Department of Health, Education, and Welfare:				
Health Services and Mental Health Administration	108	71	27	1
National Institutes of Health	170	93	133	-----
Office of Education	146	103	74	19
Department of Housing and Urban Development	157	159	160	-----
Department of the Interior:				
Bureau of Outdoor Recreation	43	73	92	29
Territorial Affairs	19	34	18	11
Department of Justice: Law Enforcement Assistance Administration	25	61	71	-----
Department of Transportation:				
Federal Aviation Administration	104	210	209	560
Federal Highway Administration	4,598	4,665	4,470	5,526
Urban Mass Transportation Administration	175	347	437	-95
Environmental Protection Agency	413	727	1,600	-----
Washington Metropolitan Transit Authority	84	80	167	151
Other civil	17	28	31	6
Subtotal civil grants	6,527	7,187	8,021	6,503
Department of Defense	21	32	43	41
Total grants	6,548	7,219	8,064	6,544
Loans to State and local governments:				
Department of Commerce: Economic Development Administration	21	9	5	-----
Department of Health, Education, and Welfare: Office of Education	6	5	4	-----
Department of Housing and Urban Development	793	811	553	-----
Department of the Interior: Bureau of Reclamation	11	20	15	14
Department of Transportation: Federal Highway Administration	17	48	50	-----
District of Columbia	147	189	229	239
Other agencies	3	7	2	-----
Subtotal loans	999	1,088	859	253
Repayments	-793	-809	-572	-----
Total net loans	206	280	286	253
Total grants and net loans	6,754	7,499	8,351	6,797

Federal construction grants reduce the State and local costs of construction by the amount of the grant. Federal disbursements for grants are generally supplemented by State and local funds, varying in accordance with the requirements of authorizing legislation for the program. The Federal share of the total cost may be a uniform percentage for all eligible projects, or a variable percentage in accordance with factors such as population or relative financial ability of the State and local governments.

In order to facilitate project planning, Federal budget authorizations for construction grants are often made available several years in advance of onsite construction. Federal outlays, which are typically progress payments for the Federal share of work put in place, often lag 1 to 3 years from the time of Federal commitment for a given project.

To reduce the leadtime required for project planning and to provide additional flexibility to match Federal-aid with State and local priorities, some of the categorical grants are being incorporated into special revenue sharing programs.

Highlights of the major grant programs are provided in the following paragraphs.

Federal outlays for highway grants administered by the Department of Transportation are estimated at \$4.5 billion in 1974. In order to provide for urban and rural highway-oriented transportation programs, and to complete the 42,500-mile Interstate System in the early 1980's, \$5.5 billion in budget authority is recommended for 1974. The program level for Federal-aid highways in 1974 will be about the same as in 1973.

The Department of Transportation is requesting \$560 million in contract authority to provide for the 1974 and 1975 commitments for airport grants which are now included in the Airport and airway trust fund. Outlays for airport grants are estimated at \$209 million in 1974, about the same as in 1973 and more than double the 1972 level.

Federal grants for up to two-thirds of net project costs of urban mass transit facilities are administered by the Department of Transportation. Balances remaining from the \$3.1 billion of budget authority provided in the 1970 amendments of the Urban Mass Transportation Act are available to finance the 1974 program. Budget authority of \$2.9 billion in 1973 will apply to construction put in place in 1975 and later years. New commitments for grants to aid construction of mass transit facilities will be continued in 1974 at the 1973 level. Outlays are estimated at \$437 million in 1974, an increase of \$90 million over 1973.

The Environmental Protection Agency provides grants for 75% of the cost of constructing waste treatment facilities. Pursuant to the Federal Water Pollution Control Act Amendments of 1972, contract authority of \$2 billion from 1973 authorization and \$3 billion from 1974 authorization has been allotted to the States by the Environmental Protection Agency. This allotment supplements \$5.1 billion previously available, making a total of \$10.1 billion for new obliga-

tions or liquidation of existing obligations. Outlays for grants for waste treatment facilities are expected to increase to \$1.6 billion in 1974, \$873 million higher than in 1973.

The public facility grant commitments for Appalachian regional development (principally for roads) are expected to continue in 1974 at a slightly higher level than in 1973. Outlays of \$225 million for such grants are anticipated in 1974.

No new obligational authority will be requested in 1974 for a number of construction grant and loan programs which are being discontinued, some to be incorporated into special revenue sharing, and others to be terminated or suspended pending review of program deficiencies. Law enforcement assistance revenue sharing is proposed to substitute for categorical grants for law enforcement. In 1974, new commitments will not be approved under the neighborhood facilities and basic water and sewer categorical grant programs and the public facility loan program. Instead, support will center on strengthening the capacity of communities to meet their own development needs. Legislation for urban community development revenue sharing will again be submitted, to be effective July 1, 1974. New commitments to make low-rent housing loans have been suspended, pending review of program deficiencies. The college housing loan program was terminated in January 1973, because it has been ineffective in aiding needy students. Economic development facility grants will be phased out, and efforts will be consolidated under the Rural Development Act. Grants for hospitals and related medical facilities are being terminated with needed construction to be financed from charges for patient care.

In the case of certain eligible projects, the Federal Government provides loans to State and local governments to finance construction costs. In some instances, the lending is related to a Federal construction grant program, providing an interim source of funds until permanent financing is arranged by the State and local government. Permanent financing is often in the form of municipal bonds whose interest is exempt from the Federal income tax. Federal loans are generally repaid with interest, although the interest rate may often be less than the current rate paid on Federal borrowing. Additional details on loan program terms are included in Special Analysis E on Federal credit programs.

The Environmental Financing Authority, established pursuant to the Federal Water Pollution Control Act Amendments of 1972, will assist State and local public bodies to finance the non-Federal share of waste treatment construction projects where funds cannot be obtained at reasonable rates.

Advances of Federal funds for capital outlays by the District of Columbia will increase from \$189 million in 1973 to \$229 million in 1974.

DIRECT FEDERAL PUBLIC WORKS

Outlays in 1972-74 for direct Federal construction, including detailed planning and site acquisitions, are shown in table O-4 for civil and defense agencies. Budget authority recommended for 1974 is also shown, with the total at \$4.8 billion, about \$388 million less than in 1973.

Table O-4. DIRECT FEDERAL PUBLIC WORKS: OUTLAYS AND 1974 BUDGET AUTHORITY BY AGENCY (in millions of dollars)

Program and agency	Outlays			Budget authority 1974 estimate
	1972 actual	1973 estimate	1974 estimate	
Civil public works:				
Architect of the Capitol.....	8	16	35	-----
Department of Agriculture: Forest Service.....	158	209	152	79
Department of the Army: Corps of Engineers—Civil.....	1,074	1,135	1,026	952
Department of Health, Education, and Welfare: Health Services and Mental Health Administration.....	28	43	54	56
Department of the Interior:				
Bureau of Indian Affairs.....	65	84	103	117
Office of Coal Research.....	2	16	25	28
National Park Service.....	51	60	70	23
Bureau of Reclamation.....	241	350	299	204
Bonneville Power Administration.....	90	82	90	94
Department of Justice: Federal Prison System.....	4	24	26	-----
Department of Transportation:				
Coast Guard.....	24	11	34	45
Federal Aviation Administration.....	231	212	224	218
General Services Administration.....	206	254	261	5
National Aeronautics and Space Administration.....	50	54	70	112
Veterans Administration.....	105	110	100	100
Postal Service.....	272	429	(1)	-----
Tennessee Valley Authority.....	580	493	515	7
Other agencies.....	107	179	208	137
Subtotal civil public works.....	3,294	3,760	3,292	2,178
National defense public works:				
Department of the Army.....	360	357	405	646
Department of the Navy.....	344	323	393	706
Department of the Air Force.....	331	273	293	322
Interservice activities.....	162	237	291	443
Atomic Energy Commission.....	222	254	341	502
Subtotal national defense public works.....	1,419	1,443	1,723	2,619
Total direct Federal public works.....	4,713	5,203	5,015	4,797

¹ Postal Service transferred to the Annexed Budgets in 1974.

NATIONAL DEFENSE PUBLIC WORKS

Department of Defense—Military.—Budget authority for military construction here and abroad is recommended for a total of \$2.1 billion in 1974, about \$539 million more than in 1973. A wide variety of structures are proposed to be constructed to meet the needs of the All-Volunteer Armed Forces program. In addition to troop and family housing, funds are recommended to reduce further the backlog of projects resulting from deferment of construction during the Vietnam war. Improvements in Air, Army, Navy, and missile bases; training,

ordnance, and test facilities; hospitals, warehouses, and other structures are needed to maintain the ability of the armed forces to defend the Nation effectively.

Atomic Energy Commission.—Outlays for construction of atomic energy facilities are estimated to increase to \$341 million in 1974. Budget authority of \$502 million is recommended in 1974, \$172 million over 1973. Included in the construction program are major improvements in uranium enrichment facilities, a prototype facility for testing nuclear propulsion engines for submarine use, and other facilities. Work on the world's largest accelerator for research in high energy physics will be nearing completion.

CIVIL PUBLIC WORKS

Outlays for federally owned civil public works are estimated at \$3.3 billion in 1974, compared with \$3.8 billion in 1973. A large part of the reduction in outlays is the result of the transfer of the Postal Service to the Annexed Budgets in 1974. Reflecting policy decisions to reduce budget outlays and to limit inflationary pressures, budget authority of \$2.2 billion is recommended in 1974, a reduction of \$1.1 billion from the 1973 total. Some public buildings construction will proceed under private auspices and some water resource construction will be rescheduled so that the reduction in construction activity will be less than the reduction in budget authority over the 2 years.

Direct Federal civil public works are largely water resource and related power generation and transmission facilities built by a number of agencies, including the Corps of Engineers, the Bureau of Reclamation, the Bonneville Power Administration, and the Tennessee Valley Authority. These account for three-fifths of the direct civil works total outlays in 1974.

The Federal Government also builds museum, office, postal service, research, hospital, and other buildings. Nearly one-quarter of direct civil works outlays in 1974 are for new construction of buildings and for improvement of existing structures. Another important category of Federal civil works includes the roads and related facilities in the national forests, parks, Indian and other public lands. These are built by the Forest Service, the Bureau of Land Management, the Bureau of Indian Affairs, and the National Park Service. Air traffic control facilities are built by the Federal Aviation Administration.

Before the larger direct civil projects are undertaken, the responsible agencies conduct preliminary surveys and investigations to determine the merits of the project and, where necessary, to provide the basis for authorizing legislation. In the case of water resource projects, coordinated long-range economic, hydrologic, and land-use projections are employed to help assure economic design of specific facilities within each comprehensive river basin. The

summary tables in this analysis do not include outlays for such preliminary planning.

Advance planning and site acquisition.—After preliminary plans and necessary legislative authorizations are approved, detailed architectural and engineering plans are prepared and sites are acquired before onsite construction operations begin. Outlays for detailed architectural and engineering planning and site acquisitions are included in project costs and are separately identified in table O-5 for those projects to be started after 1974.

New and continuing work.—Table O-5 provides information on direct Federal projects underway in 1974, indicating the total cost, the progress through the budget year, and the estimated cost of completion. The table distinguishes between projects started in earlier years and those started in the budget year.

Table O-5. ESTIMATED COST OF 1974 DIRECT FEDERAL CIVIL PUBLIC WORKS, BY CONTINUING AND NEW WORK (in millions of dollars)

Program and agency	Total estimated Federal cost	Outlays		
		Prior to 1974	1974 estimate	Required to complete
Continuing work:				
Architect of the Capitol.....	124	21	35	69
Department of Agriculture: Forest Service.....	284	209	74	-----
Department of the Army: Corps of Engineers—Civil	18,994	9,900	1,013	8,082
Department of Health, Education, and Welfare:				
Health Services and Mental Health Administration.....	129	48	42	39
Department of the Interior:				
Bureau of Indian Affairs.....	1,328	403	92	833
National Park Service.....	1,870	58	67	1,745
Bureau of Reclamation.....	9,692	4,881	297	4,513
Bonneville Power Administration.....	474	251	81	143
Department of Justice: Federal prison system.....	97	30	25	41
Department of Transportation:				
Coast Guard.....	82	51	17	14
Federal Aviation Administration.....	812	211	162	439
General Services Administration.....	705	291	239	175
National Aeronautics and Space Administration....	1,228	1,099	55	74
Veterans Administration.....	742	497	75	170
Tennessee Valley Authority.....	5,075	1,524	511	3,040
Other.....	1,496	656	192	648
Total continuing work.....	43,132	20,130	2,977	20,025

Table O-5. ESTIMATED COST OF 1974 DIRECT FEDERAL CIVIL PUBLIC WORKS, BY CONTINUING AND NEW WORK (in millions of dollars)—Con.

Program and agency	Total estimated Federal cost	Outlays		
		Prior to 1974	1974 estimate	Required to complete
New projects and features in 1974:				
Department of Agriculture: Forest Service.....	128	-----	78	50
Department of the Army: Corps of Engineers—Civil.....	69	1	2	65
Department of Health, Education, and Welfare: Health Services and Mental Health Administration.....	50	-----	12	37
Department of the Interior:				
Bureau of Indian Affairs.....	25	-----	10	15
Office of Coal Research.....	43	2	13	29
Bonneville Power Administration.....	42	-----	8	34
Department of Transportation:				
Coast Guard.....	44	-----	16	28
Federal Aviation Administration.....	220	-----	61	159
National Aeronautics and Space Administration...	98	-----	14	85
Veterans Administration.....	175	2	10	163
Other.....	81	3	23	57
Total new projects and features.....	975	8	247	722
Advance planning and site acquisition prior to start of construction:				
Department of the Army: Corps of Engineers—Civil.....	97	47	11	40
Department of the Interior:				
Bureau of Land Management.....	9	3	3	4
National Park Service.....	118	3	3	111
Bureau of Reclamation.....	16	8	2	6
Department of Justice: Federal Prison System....	6	-----	(¹)	6
General Services Administration.....	176	137	22	17
National Aeronautics and Space Administration...	16	(¹)	2	15
Veterans Administration.....	49	1	15	32
Tennessee Valley Authority.....	4	-----	4	-----
Other.....	11	4	6	1
Total advance planning.....	502	203	68	232
Total direct civil public works.....	44,609	20,341	3,292	20,979

¹ Less than \$500 thousand.

About 90% of the 1974 outlays for direct civil works are for continuing work which will require an additional \$20 billion after 1974 for completion. New projects recommended for 1974 are estimated to cost a total of \$975 million, of which \$247 million will be spent in 1974.

Budget authority of \$1.2 billion is recommended in 1974 for construction by the Corps of Engineers and the Bureau of Reclamation, a reduction of \$494 million from the 1973 level. Most ongoing projects scheduled for completion in 1974 will be continued at optimal rates, although some projects are being delayed by environmental problems. A limited number of new projects are recommended for starting in 1974 to meet high priority needs. To assure a more even distribution of construction work over the 2 years, a number of the 1973 project starts are being rescheduled to be started later in 1973 or in 1974. Outlays for construction by these two agencies will decline from \$1.5 billion in 1973 to \$1.3 billion in 1974, about the same as in 1972.

In order to provide for the continuing growth of electrical energy consumption in its service area, the Tennessee Valley Authority initiated a large volume of construction in 1972 and in 1973, reflecting in part the increasingly long lead times needed to meet environmental requirements and to deliver nuclear power generating units. A number of power generating plants and related facilities on which ground will not be broken until after 1974 are included in the 1972-73 program. Outlays for continuing construction of projects started in earlier years will exceed \$0.5 billion in 1974, with an additional \$3 billion required after 1974 to complete these facilities.

The estimate of \$112 million budget authority for the National Aeronautics and Space Administration construction program in 1974 represents a 45% increase over 1973. The increase is principally for construction and modification of facilities in California, Florida, Alabama, Texas, New Mexico, and Louisiana in support of the space shuttle program.

Postal Service construction outlays, which are transferred to the Annexed Budgets in 1974, will increase from \$429 million in 1973 to \$598 million in 1974 to carry out an intensive capital improvement program to improve postal service.

The General Services Administration backlog of public building projects has been reduced, with projects whose construction cost is estimated at \$859 million being undertaken with private financing in 1973 and 1974 under deferred purchase contracts described earlier in this analysis. As a result, budget authority for direct construction of public buildings will not be needed in 1974. Balances remaining from 1973 authority are proposed to finance needed improvements in 1974. Outlays for direct construction will increase from \$254 million in 1973 to \$261 million in 1974, largely for public buildings started in 1972 and 1973.

Authorized reserve of civil public works.—Many agencies that regularly build civil works projects maintain an authorized reserve to draw upon to fulfill program needs and budgetary policy. Projects in such reserve status have met the requirements for legislative authorization, and require only appropriations and detailed planning for starting. The size and planning status of the authorized reserve is shown by agency in table O-6.

Table O-6. RESERVE OF PRESENTLY AUTHORIZED PROJECTS AND PROGRAMS FOR UNDERTAKING AFTER 1974 (in billions of dollars)

Agency	Cost of authorized reserve						
	Estimated total Federal cost	Status of plans as of June 30, 1973			Status of plans as of June 30, 1974		
		Contract could be let	In process	Not started	Contract could be let	In process	Not started
Agriculture: Forest Service.....	0.5	0.2	0.3	-----	0.2	0.3	-----
Army: Corps of Engineers—Civil..	10.6	1.2	5.7	3.8	1.5	5.5	3.7
Interior:							
Bureau of Land Management....	.3	(1)	.1	.2	.1	.1	.1
Bureau of Sport Fisheries and Wildlife.....	.4	(1)	.2	.2	(1)	.2	.2
Bureau of Reclamation.....	1.2	.4	.5	.3	.4	.5	.3
Bonneville Power Administration.....	.8	-----	-----	.8	-----	.3	.5
Justice: Bureau of Prisons.....	.5	-----	(1)	.5	(1)	.5	-----
Transportation: Federal Aviation Administration.....	.9	.1	.2	.6	.2	.3	.5
Veterans Administration.....	.5	-----	.2	.4	.1	.3	.2
Tennessee Valley Authority.....	.9	(1)	(1)	.9	(1)	(1)	.9
Other agencies.....	.4	(1)	.1	.3	.1	.1	.2
Total.....	17.0	1.9	7.3	8.0	2.6	8.1	6.6

¹ Less than \$50 million.

PUBLIC WORKS BY FUNCTION

Detailed information on budget authority and outlays for public works programs, grouped according to the major functional categories used in the budget, is provided in table O-9 at the end of this analysis. Outlays for public works are reported under each of the major functional headings, except interest and General Revenue Sharing. The national defense function includes principally direct works which have been described earlier in the analysis.

In the civil functions, public works outlays are predominantly in two major functions—commerce and transportation and natural resources and environment. For commerce and transportation, outlays for public works in 1974 are about half the total outlays for the function, including principally grants for roads, airports and mass transit facilities. Direct works, such as post offices, aviation control systems, and Coast Guard facilities, are also major public works within this function.

In the natural resources and environment function, outlays for public works are estimated at \$4 billion in 1974, about three-fifths of the gross outlays for the function. Public works in this function are predominantly water resource development projects and sewage treatment plants.

In the remaining civil functions, public works account for much smaller proportions of total outlays.

Table O-7 identifies the outlays for water resource and related developments in all of the civil functions by type of program and agency. The trends for the various types of construction are portrayed in the accompanying chart.

Table O-7. OUTLAYS FOR WATER RESOURCES AND RELATED DEVELOPMENTS (in millions of dollars)

Program and agency	1972 actual	1973 estimate	1974 estimate
Flood control works:			
Agriculture: Soil Conservation Service (mostly grants).....	71.2	90.7	75.3
Defense—Civil: Corps of Engineers.....	457.1	562.6	497.9
Interior: Bureau of Reclamation.....	1.8	2.5	2.4
State: International Boundary and Water Commission.....	2.9	7.8	12.3
Tennessee Valley Authority.....	.1	.9	.9
Total flood control works.....	533.1	664.5	588.8
Beach erosion control: Defense—Civil: Corps of Engineers.....	3.0	4.2	2.8
Irrigation and water conservation works:			
Agriculture: Soil Conservation Service (grants).....	12.1	15.4	14.0
Interior:			
Bureau of Indian Affairs.....	11.7	13.0	15.0
Bureau of Reclamation (includes grants and loans).....	84.3	147.6	122.5
Total irrigation works.....	108.1	176.0	151.5
Navigation facilities:			
Commerce: Economic Development Administration (mostly grants).....	15.0	14.5	12.5
Defense—Civil:			
Corps of Engineers.....	233.3	259.3	218.7
Panama Canal Company.....	.1	1.8	1.0
Transportation: Saint Lawrence Seaway Corporation.....	.5	.6	1.7
Tennessee Valley Authority.....	2.2	4.9	.6
Total navigation facilities.....	251.1	281.1	234.5
Multiple-purpose dams and reservoirs with hydroelectric power facilities:			
Defense—Civil: Corps of Engineers.....	380.9	312.4	306.3
Interior: Bureau of Reclamation.....	144.7	181.3	149.5
Tennessee Valley Authority.....	39.9	57.7	74.7
Total multiple-purpose facilities.....	565.5	551.4	530.5
Powerplants:			
Defense—Civil: Panama Canal Company.....	(1)	4.0	.3
Interior: Territorial Affairs (grants).....	1.9	2.2	1.1
Tennessee Valley Authority.....	452.7	333.7	351.4
Total powerplants.....	454.6	339.9	352.8
Power transmission facilities:			
Defense—Civil: Panama Canal Company.....	1.2	.8	.2
Interior:			
Territorial Affairs (grants).....	1.0	.8	.2
Bureau of Reclamation.....	6.9	8.8	16.9
Bonneville Power Administration.....	90.2	82.3	89.8
Southwestern Power Administration.....	2.6	1.7	.6
Tennessee Valley Authority.....	75.3	84.6	75.8
Total power transmission facilities.....	177.2	179.0	183.5

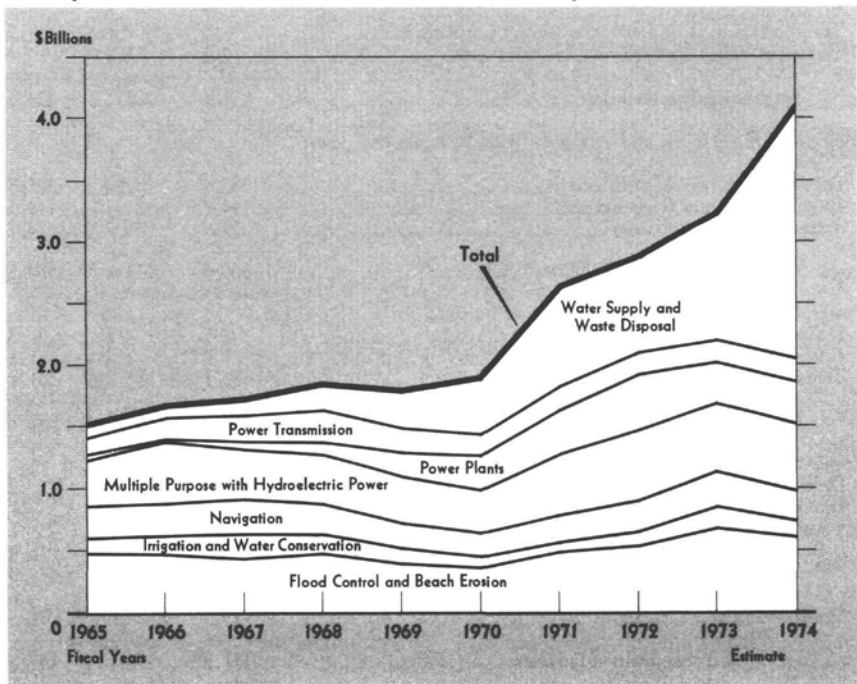
See footnote at end of table.

Table O-7. OUTLAYS FOR WATER RESOURCES AND RELATED DEVELOPMENTS (in millions of dollars)—Continued

Program and agency	1972 actual	1973 estimate	1974 estimate
Water supply and waste disposal facilities:			
Agriculture:			
Farmers Home Administration (grants).....	25.6	46.5	46.6
Forest Service.....	11.9	29.7	31.7
Commerce: Economic Development Administration and Regional Action Planning Commissions (primarily grants).....	102.2	106.2	96.5
Health, Education, and Welfare: Health Services and Mental Health Administration.....	21.3	31.5	36.9
Housing and Urban Development: Grants and loans.....	148.2	145.2	144.1
Interior:			
National Park Service.....	24.3	20.0	22.1
Bureau of Reclamation.....	16.4	29.4	25.5
Environmental Protection Agency (grants).....	413.4	727.0	1,600.0
Other agencies (mostly grants).....	15.8	15.6	12.0
Total water supply and waste disposal.....	779.1	1,151.1	2,015.4
Total water resources and related developments.....	2,871.7	3,347.2	4,059.8

¹ Less than \$50 thousand.

Outlays for Water Resources and Related Developments



AID TO COOPERATIVE AND NONPROFIT GROUPS

In some instances, private nonprofit institutions are eligible for assistance under various Federal-aid programs where they provide services similar to those of State and local governments. Federal outlays to aid construction by such private institutions are summarized in table O-8, but are not included in the totals for public works in other parts of this analysis. Medical and educational facility grants to private institutions are being phased out with their public works counterparts. The level of direct loans for rural electrification and telephone facilities will be reduced as greater use will be made of insured or guaranteed private loans.

Table O-8. **FEDERAL OUTLAYS FOR CONSTRUCTION BY COOPERATIVES AND NONPROFIT GROUPS** (not included in public works) (in millions of dollars)

Program and agency	1972 actual	1973 estimate	1974 estimate
Grants for private construction:			
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration: Medi- cal facilities construction.....	137	100	97
National Institutes of Health: Health, educational research, and library facilities.....	16	23	29
Office of Education: Higher education facilities.....	53	31	21
Gallaudet College.....	2	3	1
Howard University.....	6	14	11
Model Secondary School for the Deaf.....	(¹)	5	5
National Technical Institute for the Deaf.....	8	14	3
Total grants.....	222	190	167
Loans:			
Department of Agriculture: Rural Electrification Administra- tion: Electrification and telephone facilities.....	551	716	501
Department of Health, Education, and Welfare: Office of Edu- cation: Higher education facilities.....	9	7	6
Department of Housing and Urban Development: College housing.....	24	16	10
Repayments.....	-22	-27	-28
Total net loans.....	563	713	489
Total Federal outlays.....	785	903	656

¹ Less than \$50 thousand.

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)

By major function and agency

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS						
International Affairs and Finance						
Department of State:						
Foreign Service buildings.....	6.5	13.4	3.2	2.5	4.8	7.8
International Center, Washington, D.C. (grant).....	-----	2.2	.7	-----	.5	1.7
United States Information Agency: Radio facilities.....	-----	-----	16.0	2.4	2.1	2.3
Total international affairs and finance.....	<u>6.5</u>	<u>15.6</u>	<u>20.0</u>	<u>4.8</u>	<u>7.5</u>	<u>11.9</u>
Space Research and Technology						
National Aeronautics and Space Administration: Research and space flight facilities.....	<u>52.7</u>	<u>77.3</u>	<u>112.0</u>	<u>50.3</u>	<u>54.0</u>	<u>70.0</u>
Agriculture and Rural Development						
Department of Agriculture:						
Laboratories, research facilities, and library.....	4.3	8.6	4.5	7.8	9.3	7.3
Cooperative State Research Service: Grants for research facilities.....	-----	-----	-----	.4	.5	.1
Farmers Home Administration:						
Grants for rural waste disposal facilities.....	100.0	92.0	-----	25.6	46.5	46.6
Grants for farm labor housing.....	2.5	3.8	-----	.4	5.1	1.7
Soil Conservation Service:						
Grants for resource conservation and development.....	11.5	11.7	3.3	6.5	8.4	12.4
Plant materials center.....	-----	-----	-----	.2	.3	-----
Total agriculture and rural development.....	<u>118.3</u>	<u>116.1</u>	<u>7.8</u>	<u>40.8</u>	<u>70.1</u>	<u>68.1</u>

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS—						
Continued						
Natural Resources and Environment						
Department of Agriculture:						
Soil Conservation Service:						
Flood prevention and watershed protection:						
Direct work.....	.3	.4	.4	.3	.4	.5
Grants.....	103.1	116.8	65.9	80.0	102.1	82.4
Forest Service: Roads, research, recreational, and other facilities ¹	202.4	94.7	79.2	157.7	209.1	152.1
Department of Defense—Civil:						
Corps of Engineers—Civil:						
Flood control, navigation and multiple-purpose projects with power.....						
	1,077.2	1,281.5	933.3	1,054.7	1,114.5	1,006.7
Trust funds.....	18.4	19.7	18.4	19.5	20.0	19.0
Grants.....	1.2	-----	-----	1.2	-----	-----
Department of the Interior:						
Bureau of Land Management: Roads and other facilities.....						
	21.1	12.1	8.8	15.9	15.1	17.9
Bureau of Outdoor Recreation: Grants for recreation facilities.....						
	147.2	105.0	28.9	42.7	72.9	92.4
Office of Coal Research: Demonstration plants.....						
	12.5	25.0	28.3	1.8	15.7	24.5
Bureau of Sport Fisheries and Wildlife: Facilities.....						
	7.2	-----	6.9	5.0	8.2	5.8
National Park Service: Parkways, roads, buildings and utilities ¹						
	127.0	44.8	23.5	51.0	59.7	69.9
Bureau of Reclamation:						
Irrigation and multiple-purpose projects with power ¹						
	277.0	348.1	203.8	240.6	349.6	298.8
Small irrigation projects:						
Grants.....	(²)	1.6	3.1	2.2	-----	2.9
Loans.....	11.4	18.8	13.6	11.2	20.0	15.1
Power transmission facilities:						
Bonneville Power Administration.....						
	87.4	89.7	93.8	90.2	82.3	89.8
Southwestern Power Administration.....						
	.9	.7	.5	2.6	1.7	.6
Office of Saline Water: Facilities.....						
	.3	.3	-----	.4	.4	-----

See footnotes at end of table.

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS—						
Continued						
Natural Resources and Environment—Continued						
Department of State: International Boundary and Water Commission: Water resources projects and Chamizal settlement.....	6.3	23.1	6.8	3.2	8.0	15.6
Environmental Protection Agency:						
Buildings and facilities.....	28.0	-----	-----	.7	5.3	21.7
Grants for waste treatment facilities.....	2,000.0	6,900.0	-----	413.4	727.0	1,600.0
Tennessee Valley Authority: Power, water resources, and chemical facilities.....	34.3	29.9	7.0	580.2	493.0	515.1
Total natural resources...	<u>4,163.3</u>	<u>9,112.3</u>	<u>1,522.1</u>	<u>2,774.6</u>	<u>3,305.0</u>	<u>4,030.6</u>
Commerce and Transportation						
Funds appropriated to the President:						
Appalachian regional development programs: Grants for highways, education, and health facilities.....	280.9	230.1	227.6	199.3	208.8	225.4
Public works acceleration: Grants.....	-----	-----	-----	.3	1.4	-----
Department of Commerce:						
Economic Development Administration:						
Development facilities:						
Grants.....	188.0	218.0	-----	157.8	163.7	162.3
Loans.....	1.9	2.0	-----	21.1	8.9	4.8
Repayments.....	-----	-----	-----	-.3	-.3	-.2
Regional Action Planning Commissions: Grants for regional development facilities.....	21.3	22.4	-----	10.3	17.4	19.9
National Bureau of Standards: Buildings.....	2.0	.3	-----	.7	1.1	1.5
Department of Defense—Civil: Panama Canal Company: Canal and harbor improvements.....	-----	-----	-----	6.2	10.7	9.6
Department of the Interior: Bureau of Indian Affairs: Roads.....	30.0	60.0	75.0	27.3	45.1	57.0

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS—						
Continued						
Commerce and						
Transportation—Continued						
Department of Transportation:						
Coast Guard: Shore facilities, bridges, and navigation aids.....	37.9	33.1	45.0	23.8	11.1	34.0
Federal Aviation Administra- tion:						
National Capital Airports and Aeronautical Expi- sition.....	7.1	2.6	3.4	7.6	8.2	7.0
Airport grants (trust funds) Facilities and equipment (trust funds).....	454.4	296.8	214.5	223.0	204.0	216.5
Federal Highway Administra- tion:						
Federal-aid highways: Grants (trust funds)....	5,602.5	5,531.1	5,464.4	4,551.7	4,616.4	4,419.6
Right-of-way revolving fund: Loans (trust funds)				17.1	47.5	50.2
Forest and public lands highway grants (trust funds) ³	45.1		45.1	33.9	25.6	27.2
Grants for highway safety, rail-highway crossings, territorial, Chamizal highways, and other spe- cial purposes.....	21.5	5.9	16.1	12.1	23.3	23.6
National Highway Traffic Safety Administration: Compliance test facility....	9.6				.6	
Federal Railroad Administra- tion: Research facilities....	9.2	19.8	13.6	6.5	6.6	14.3
Urban Mass Transportation Administration: Trans- portation facilities:						
Research facilities.....	5.2	10.3	25.2	3.8	6.1	12.8
Grants.....	-38.8	2,886.9	-95.2	175.1	346.7	437.5
Loans.....					.6	
Repayments.....				-.2	-.2	-.2
St. Lawrence Seaway Devel- opment Corporation: Alter- ations.....				.5	.6	1.7
Federal Communications Com- mission: Facilities.....	.1	.6	.1	.1	.4	.3
Postal Service: Post offices, improvements and alterations.				271.8	429.0	(4)
Total commerce and transportation.....	<u>6,678.9</u>	<u>9,319.9</u>	<u>6,594.8</u>	<u>5,853.0</u>	<u>6,393.2</u>	<u>5,934.1</u>

See footnotes at end of table.

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.
By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS— Continued						
Community Development and Housing						
Department of Housing and Urban Development:						
Low-rent public housing:						
Loans				716.3	750.0	500.0
Repayments				-741.2	-750.0	-510.0
New community assistance grants	10.0	7.5		.2	3.1	2.0
Grants for neighborhood facilities	40.0	40.0		23.2	26.0	35.0
Grants for water and sewer facilities	500.0			134.0	130.0	122.7
Public facility loans				25.6	26.0	36.0
Repayments				-7.6	-8.5	-9.8
Liquidating programs:						
Loans				1.5	2.6	-2.4
Repayments				-3.4	-3.3	-3.4
Federal Home Loan Bank Board: Headquarters				(2)	7.5	5.0
Total community development and housing	550.0	47.5		148.5	183.4	175.1
Education and Manpower						
Department of Health, Education, and Welfare: Office of Education:						
Schools in federally affected areas:						
At Federal installations	8.3			9.7	7.6	6.2
Grants	11.0	15.9	19.0	10.6	17.6	18.5
Higher education facilities:						
Grants	30.1			128.2	75.7	50.7
Loans				6.1	4.8	4.0
Repayments				-2.8	-3.2	-3.4
Library resources (grants)	9.5			7.2	10.1	4.9
Department of Housing and Urban Development:						
College housing loans				50.0	32.8	19.5
Repayments				-37.4	-43.3	-45.1
Department of the Interior:						
Bureau of Indian Affairs:						
Schools and other facilities:						
Direct work	43.0	52.6	42.4	37.4	39.2	46.4
Grants	.5	3.4	1.6	.5	3.4	1.6
Bureau of Mines: Mine health and safety academy						
		13.0			7.0	3.0

See footnotes at end of table.

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS—						
Continued						
Education and Manpower—						
Continued						
National Science Foundation: Research facilities	6.1	6.1	12.0	5.7	5.8	7.0
Smithsonian Institution: Mu- seums.....	3.4	45.7	5.1	7.3	21.1	19.5
Total education and man- power.....	111.8	136.7	80.1	222.5	178.5	132.7
Health						
Department of Health, Educa- tion, and Welfare:						
Food and Drug Administra- tion: Buildings.....	-----	-----	5.0	.2	3.0	4.0
Health Service and Mental Health Administration: Grants for mental health centers.....	7.2	-----	-----	14.8	9.5	8.2
Grants for medical facilities	118.5	2.0	-----	91.5	61.1	18.1
Loans for medical facilities	50.0	-----	-----	(²)	-----	-----
Indian health facilities: Direct work.....	30.2	44.4	41.2	23.5	35.6	42.1
Grants.....	.3	.1	.5	1.2	.6	.5
Other facilities, including St. Elizabeths Hospital ¹	.2	14.6	15.0	4.3	7.1	12.3
National Institutes of Health: Grants for health, educa- tional research, and li- brary facilities.....	114.0	-----	-----	170.0	93.4	133.2
Buildings and facilities.....	3.6	8.0	8.0	1.8	6.2	7.0
Social Security Administra- tion: Buildings and district offices (trust funds).....	2.5	3.3	.9	2.5	3.3	.9
Total health.....	326.5	72.4	70.6	309.9	219.9	226.3
Income Security						
Department of Health, Educa- tion, and Welfare:						
Social Security Administra- tion: Buildings and district offices (trust funds).....	9.9	16.9	5.6	9.9	16.9	5.6

See footnotes at end of table.

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS—						
Continued						
Veterans Benefits and Services						
Department of Defense—Civil:						
Army: Cemeteries.....	1.4	11.8	2.4	1.7	1.5	9.6
Soldiers' and Airmen's Home (trust funds).....	.1	.2	2.5	.3	.2	1.9
Veterans Administration:						
Medical care facilities.....	93.6	181.0	100.0	105.1	110.0	100.0
Grants for construction of State extended care facili- ties.....	8.0	6.0	-----	1.8	5.0	4.5
Corregidor-Bataan Memorial.....	-----	-----	-----	-----	(²)	-----
Total veterans benefits services.....	<u>103.1</u>	<u>199.0</u>	<u>104.9</u>	<u>109.0</u>	<u>116.7</u>	<u>116.0</u>
General Government						
Legislative branch:						
Architect of the Capitol: Buildings and James Mad- ison Memorial Library....	72.6	53.5	-----	7.7	16.4	34.9
United States Tax Court: Court building.....	18.7	1.9	-----	2.8	7.8	10.0
Department of Defense—Civil:						
Panama Canal: Improve- ments.....	3.0	3.7	3.4	1.9	3.8	3.5
Department of the Interior:						
Territorial Affairs: Public fa- cilities in Samoa, Guam, and the Trust Territory of the Pacific Islands:						
Grants.....	27.8	23.3	10.8	18.6	34.3	18.0
Loans.....	5.9	3.9	-----	3.3	6.2	2.0
Department of Justice:						
Immigration and Naturaliza- tion Service: Border fa- cilities.....	.2	-----	-----	1.3	.2	(²)
Federal Prison System: Prison facilities.....	47.6	33.3	-----	4.2	24.2	26.0
Law Enforcement Assistance Administration: Grants for police stations, correctional institutions, and court buildings.....	79.3	92.1	-----	24.9	60.7	70.9

See footnotes at end of table.

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
CIVIL PUBLIC WORKS— Continued						
General Government—Con.						
Treasury Department:						
Federal Law Enforcement Training Center.....	21.0	-----	6.0	2.4	2.5	5.0
Bureau of Customs: Border facilities.....	.1	.2	.2	.1	.2	.2
Bureau of Engraving and Printing: Air conditioning.....	-----	-----	-----	(²)	.2	-----
Bureau of the Mint: Philadel- phia and Denver Mints.....	1.5	2.0	-----	.1	2.5	-----
Secret Service: Training fa- cilities.....	-----	-----	-----	.2	(²)	-----
General Services Administra- tion: Construction of public buildings, sites and planning.....	336.7	292.2	5.3	205.9	253.9	261.5
Central Intelligence Agency: Headquarters.....	-----	-----	-----	(²)	-----	-----
District of Columbia: Loans.....	102.1	130.8	238.9	147.0	189.0	229.3
Grants to Washington Metro- politan Area Transit Au- thority.....	188.0	179.2	151.3	84.0	79.9	167.4
Total general govern- ment.....	904.7	816.2	416.0	504.5	681.6	828.8
Total civil public works..	<u>13,025.7</u>	<u>19,929.8</u>	<u>8,933.9</u>	<u>10,027.9</u>	<u>11,226.9</u>	<u>11,599.3</u>
NATIONAL DEFENSE PUBLIC WORKS						
Department of Defense—						
Military:						
Interservice activities:						
Construction, Defense agen- cies.....	14.1	36.7	19.1	11.5	20.0	34.0
Family housing.....	311.8	333.1	423.8	149.8	217.0	257.0
Civil defense:						
Grants for emergency centers.....	4.5	5.0	6.0	1.8	6.0	6.0
Civil defense facilities.....	-----	.4	.2	.7	.3	.2

See footnotes at end of table.

Table O-9. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—*Con.*
By major function and agency—Continued

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
NATIONAL DEFENSE PUBLIC WORKS—<i>Con.</i>						
Department of Defense— Military—Continued						
Army:						
Construction.....	492.7	342.0	604.9	346.2	333.0	375.0
Construction, Army Reserve	33.5	38.2	40.7	13.4	23.7	30.3
Construction, Army Na- tional Guard: Grants.....	29.0	40.0	35.2	19.4	26.4	37.0
Navy:						
Construction.....	359.4	517.8	685.4	339.4	310.5	378.4
Construction, Naval Re- serve.....	10.9	20.5	20.3	4.9	12.2	14.1
Air Force:						
Construction.....	289.9	265.6	291.9	315.4	261.0	272.0
Construction, Air Force Reserve.....	6.6	7.0	10.0	5.7	5.5	7.0
Construction, Air National Guard.....	10.6	16.1	20.0	9.7	6.2	13.6
Total, Department of Defense—Military...	1,563.0	1,622.5	2,157.4	1,217.9	1,221.8	1,424.6
Atomic Energy Commission: Facilities.....	188.2	330.5	502.3	222.0	253.6	341.3
Total national defense public works.....	1,751.1	1,952.9	2,659.7	1,439.8	1,475.4	1,765.9
Total civil and defense public works.....	14,776.8	21,882.8	11,593.7	11,467.7	12,702.3	13,365.2

¹ Includes amounts from trust funds.

² Less than \$50 thousand.

³ Includes amounts from predecessor program financed from general funds.

⁴ Postal Service transferred to the Annexed Budgets in 1974.

SPECIAL ANALYSIS P

FEDERAL RESEARCH AND DEVELOPMENT PROGRAMS

The funds provided in the 1974 budget for research and development recognizes the need for:

- Maintaining the effectiveness of our strategic and tactical military forces.
- Continuing the application of scientific and technological resources to meet pressing civilian problems—such as energy, cancer and heart disease, transportation, natural hazards, drugs and crime—where research and development can make a contribution.
- Maintaining a balanced space program to advance space science and applications and to provide a means for transporting men and equipment to and from space at a lower cost.

At the same time, the 1974 budget recognizes that how we spend our resources for research and development is just as important as how much we spend. It emphasizes improvements in Federal management of research and development, including:

- Encouraging the focusing of research and development on specific problems within areas of special national need; e.g., precombustion cleaning of coal to meet environmental standards.
- Phasing out lower priority programs, such as the development of selected space nuclear electric power and nuclear propulsion projects.
- Encouraging partnership with private industry, as illustrated in coal gasification and the breeder reactor for civilian power.
- Relying more on non-Federal technology development; as, for example, in meeting air and water pollution standards.
- Assessing the extent to which science and technology can actually contribute to the solution of domestic problems.

The 1974 budget, in summary, balances support for programs in areas of national importance—where research and development can make a contribution—with recognition that all programs are not equally urgent, that the private sector has incentives to innovate, and that improved R. & D. management is needed.

Under these broad objectives, total Federal obligations for the conduct of research and development will increase from \$17.1 billion in 1973 to \$17.4 billion in 1974. In addition, \$0.9 billion will be obligated for research development facilities in 1974.

Expenditures for the conduct of research and development will increase from \$15.9 billion in 1973 to \$16.8 billion in 1974; \$0.8 billion will also be expended for facilities in 1974.

The overall program trends of Federal research and development are depicted in table P-1.

Table P-1. THE OVERALL FEDERAL R. & D. OUTLOOK

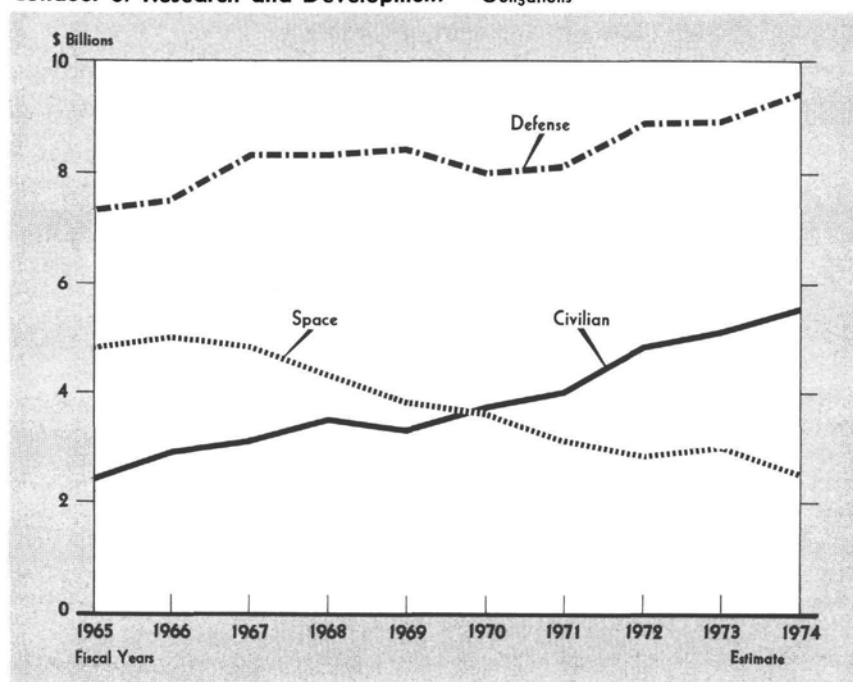
(obligations for conduct of R. & D. in billions of dollars)

	1972 actual	1973 estimate	1974 estimate
Defense, including AEC military related programs.....	8.9	8.9	9.4
Space program ¹	2.8	3.0	2.5
Civilian programs.....	4.8	5.2	5.5

¹ Includes all NASA programs except aeronautical research and environmental activities which are included under civilian programs.

The longer term direction of the Federal research and development (R. & D.) effort is shown in the following chart.

Conduct of Research and Development — Obligations



Research and development for defense purposes, which shows a net increase of \$0.5 billion, will:

- Continue development of major strategic systems including the Trident sea-based ballistic missile system and the B-1 advanced bomber.
- Increase funding for selected tactical systems, such as the Army UTTAS logistics helicopter, the Navy surface effect ship, and the Air Force A-10 close air support aircraft.
- Emphasize research and development to increase the efficiency and productivity of our military manpower.
- Strengthen the basic science and technology which underlie future military capability.

The reduction in space programs reflects the completion of the Apollo manned lunar program. The 1974 budget will provide a balanced space effort which will:

- Continue the development of a manned space shuttle system to reduce the cost of operating in space.
- Further international cooperation by preparing for the United States-Soviet manned docking project scheduled in 1975.
- Obtain benefits for people on earth by developing space technology for improved weather forecasting and the surveying of earth resources.
- Proceed with the survey of the solar system with spacecraft destined for Venus, Mercury, Mars, Jupiter, and Saturn.

The civilian research and development effort for 1974 reflects significant increases over the 1972-74 period in selected areas of special national concern, as illustrated in table P-2.

Table P-2. **SELECTED CIVILIAN RESEARCH AND DEVELOPMENT PROGRAMS** (obligations in millions of dollars)

Program	1972 actual	1973 estimate	1974 estimate
Provide adequate, reasonably priced, clean energy.....	537	642	772
Find the causes and cures of cancer and heart disease.....	513	588	680
Improve the Nation's transportation system.....	602	666	749
Reduce loss of lives and property from natural disasters.....	36	48	66
Curb drug trafficking and rehabilitate drug users.....	44	84	86
Improve crime prevention and control ¹	18	29	41

¹ Excludes crime prevention and control portions of drug trafficking research amounting to \$6 million in 1972, \$10 million in 1973, and \$13 million in 1974.

Provide adequate, reasonably priced, clean energy.—The Nation's ever-increasing demand for clean energy calls for a comprehensive strategy taking into account the policy and program options for the future provided through research and development.

In the short-term, improved technology cannot, by itself, solve all energy and related environmental problems; but it can contribute to substantial reduction of their impact, particularly by the production of clean energy from coal—our most abundant fuel source. For the

longer term, new and revolutionary approaches are being developed to provide abundant energy within environmental standards. This longer range thrust is illustrated by the nuclear breeder program, fusion power, and solar energy.

The scale, range, and balance of energy research and development programs currently underway and planned for 1974 are depicted in the following table.

Table P-3. **ENERGY RESEARCH AND DEVELOPMENT** ¹

(obligation in millions of dollars)

Program	1972 actual	1973 estimate	1974 estimate
Fossil fuel energy:			
Production and utilization of coal.....	74	94	120
Production of other fossil fuels.....	13	13	9
Nuclear energy:			
Liquid metal fast breeder reactor.....	236	272	323
Nuclear fusion.....	53	66	88
Nuclear fuels process development.....	35	42	62
Other nuclear power.....	87	98	90
Solar and geothermal energy.....	3	8	16
Other energy related programs.....	37	50	63
Total.....	537	642	772

¹ Includes funds for conduct of R. & D. and related facilities. Detail in this and other tables may not add to totals due to rounding.

Increased funds for research and development on fossil fuels will provide for greater emphasis on the solution of near-term problems, such as the precombustion cleaning of coal to meet environmental standards. Support for more efficient production of energy from coal—including coal gasification and liquefaction and magnetohydrodynamics—will also be expanded. A central fund of \$25 million for fossil fuel and other nonnuclear research and development is proposed in the Department of Interior budget for 1974. This will offer a flexible source of support for the exploitation of promising technologies to improve the production and utilization of energy resources.

In nuclear power the largest increase is for development of the liquid metal fast breeder reactor (LMFBR). The LMFBR is the top priority program to meet the needs for clean electrical energy in the 1980's and beyond.

Funds for other nuclear energy research and development programs will also increase in 1974 with emphasis on fusion power, a technology that shows promise of meeting energy needs beyond the year 2000. Included under fusion R. & D. are funds in the AEC for laser fusion research. This approach shows promise of making a major contribution to the advancement of energy technology.

Finally, increased funding is provided in 1974 for solar and geothermal power which also offer the potential of providing clean sources of energy in the future.

In addition to Federal funds, industry is now spending in excess of \$1 billion for energy research and development. Indications are that this investment will increase. For example, the electric utility industry, through the recently incorporated Electric Power Research Institute, plans to increase its support of R. & D. from \$80 million in 1973 to \$140 million in 1974.

Find the causes and cures of cancer and heart disease.—Cancer and heart disease are the Nation's major killers. They continue to account for more than half the deaths in this country. The 1974 budget provides a significant further increase to find the causes and ultimately the cures for these diseases—in keeping with special initiatives undertaken by the Administration in 1972 to organize a stepped up research effort in cancer and in 1973 for heart disease. Increases in research funds will permit the National Cancer Institute and the National Heart and Lung Institute to target their efforts on promising lines of research as well as continue a broad-based exploratory science program.

Continued expansion of work at Fort Detrick in 1974 will provide an additional resource to the Nation in the search for the causes and cures of cancer.

Improve the Nation's transportation system.—Transportation affects all aspects of society and contributes almost 20% of the gross national product of the United States. Yet, with the exception of the airplane, transportation R. & D. has been an underfunded segment of industry for several decades. Administration support for transportation R. & D. has increased rapidly to over \$749 million in 1974. Benefits from this technological infusion are now becoming available in the 1970's.

In the 1974 budget the R. & D. program is increasing its focus on environmental protection, energy conservation, improved urban mobility, greater safety in all modes and productivity increases to reduce the costs for transportation.

The quest for ways to decrease air pollution have increased the Nation's demand for energy, particularly gasoline. The 1974 budget includes funds in several agencies to investigate various techniques for improving the efficiency of the automobile without adverse environmental effects. Urban mobility will be enhanced by experimentation with new techniques in integrating existing mass transit resources. A prototype urban bus will be demonstrated with low-pollution propulsion, low noise and increased reliability.

On the Nation's railroads new advances will be pursued to improve track standards, increase safety and vastly increase the productivity of freight handling.

Technology from the space program is reshaping opportunities in aviation through research support from NASA and the Department of Transportation. Safer and more productive air traffic control concepts will interact with advanced aircraft. Programs intensified in 1973 to combat aircraft noise will mature in 1974 and begin to identify better ways to deal with this pervasive problem.

In addition to working on today's problems, the Nation should plan for the future. Research will be continued in 1974 to provide the United States with the option to initiate development of an advanced supersonic transport later in the 1970's.

Reduce loss of lives and property from natural disasters.—Natural disasters—such as fire, hurricanes, and earthquakes—are responsible for a great deal of human suffering and the loss of lives and property. Annually about 12,000 people are killed by fires alone, and property worth approximately \$2.4 billion is destroyed.

Increased warning time has diminished the loss of lives from hurricanes. Property damage, however, averaged more than \$350 million per year between 1965 and 1971. In 1972, Hurricane Agnes, the worst natural disaster ever to hit the United States, caused property damage estimated at \$3.5 billion.

In 1974, research efforts to decrease the loss of lives and property from severe storms and fires will be accelerated. Attention will continue to be focused on research on severe storms, such as hurricanes, tornadoes, and hail, and an accelerated effort will be maintained in earthquake engineering and prediction.

Curb drug trafficking and rehabilitate drug users.—Drugs continue to take an unwarranted toll of lives and create untold human suffering. The 1974 budget continues the research efforts initiated in 1973 to respond to the problem of drug abuse by finding better ways to limit their availability, to rehabilitate present users and to gain insight into the total problem of drug abuse. Under the leadership of the Special Action Office for Drug Abuse Prevention and the Department of Justice, a concerted R. & D. effort is being undertaken by many Federal agencies, including the Departments of Defense; Agriculture; Health, Education, and Welfare; and the Treasury and the Veterans Administration.

The Special Action Office will continue broad support of research on new pharmacological agents for the treatment and prevention of addiction, the development of innovative approaches to drug treatment, and the epidemiology of the total drug problem. The National Institute of Mental Health in the Department of Health, Education, and Welfare supports a broad range of research from the search for long-acting substitutes for drugs to the clinical investigation of specific medical and psychosocial aspects of heroin addiction. Other research focuses on the problems of particular groups, such as the military and the poor.

The effort to control the trafficking in drugs by improving and strengthening law enforcement is a focus for research funded by the Law Enforcement Assistance Administration in the Department of Justice. Research undertaken by the Bureau of Narcotics and Dangerous Drugs in the Department is directed at developing enforcement strategies and early warning of shifts in patterns of drug abuse, better methods of classifying drugs and detecting drugs in the human body, and more effective ways of preventing their diversion into illicit channels.

Because of its mission to prevent illegal entry of drugs, the Bureau of Customs in the Department of the Treasury supports mathematical modeling to estimate the most likely points for drugs to enter the country and the development of instrumentation for drug detection. Additional research, in the Department of Agriculture, is designed to limit the drug supply by eradicating the poppy plant, the source of heroin, and by studying alternate crops suitable for countries willing to ban opium cultivation.

Improve crime prevention and control.—Criminal acts against society continue to be a major concern of the American people. Although preventing and controlling crime is a complex task, research and development can provide many of the tools and much of the under-

standing that society will need to combat crime effectively. The 1974 budget provides for a 40% increase in funding for crime prevention and control—more than a fourfold increase since 1971.

Approximately 90% of the research and development effort in the crime prevention and control area is supported by the Law Enforcement Assistance Administration (LEAA). The primary objectives are to reduce the causes of crime and to control the incidence and effects of crime. The LEAA is also concerned with analysis, design, and testing of law-enforcement equipment and the development of equipment standards.

Elsewhere in the Department of Justice, the FBI conducts research and development to improve crime reporting and fingerprint automation. The Bureau of Prisons emphasizes improved means to evaluate its programs involving differential treatment of youthful offenders, addict rehabilitation, work release and community treatment centers, as well as to assess its personnel training.

The activities and funds of LEAA and the Bureau of Narcotics and Dangerous Drugs in drug related crime prevention and control are included in the section above.

SUMMARY

These special efforts illustrate continuation of a strategic approach to science and technology, which attempts to insure that our overall R. & D. effort is focused on top priority needs, that our considerable scientific and technical capabilities are effectively utilized, and that the American people get a proper return on the dollars they invest in Federal research and development.

The concern of the Federal Government extends, however, beyond its own funding of R. & D. to the overall national investment in science and technology. An important complement to Federal investment is the continued expansion of non-Federal R. & D. funding, which accounted for about 45% of the national total of over \$29 billion in 1972.

Recent studies by the National Science Foundation indicate that under the improved general economic climate of the Nation, an increase in industrial R. & D. investment is occurring. The prognosis for the future shows promise of continued expansion in funding by industry—from \$11.4 billion in 1972 to \$13 billion in 1974.

Beyond the prime incentive of the favorable general economic climate, the Federal Government recognizes that additional actions may be desirable to encourage non-Federal investment in R. & D. and its application. The 1974 Budget provides funds for activities initiated in 1973 to understand the effects of further investment in R. & D. on economic growth and productivity and on how such growth and productivity might be encouraged through changes in laws, regulations or other actions. The budget also provides for continuing to explore ways to improve the application of science and technology in the private and non-Federal public sectors. The assessment program of the NSF and the R. & D. incentives programs now being developed by the National Science Foundation and Department of Commerce are aimed at this problem.

AGENCY RESEARCH AND DEVELOPMENT PROGRAMS

The following table (P-4) summarizes funding for the conduct of research and development by major agencies and includes funds, previously cited in tables P-2 and P-3, for the support of selected special efforts to focus research and development on specific national problems. Table P-5 separately aggregates obligations and expenditures by major agency for the construction and renovation of research and development facilities or for the acquisition of major items of equipment. The funding of facilities generally parallels the thrust of programs for the conduct of research and development, although large single facilities or major equipment acquisitions may perturbate the facility funding picture. This is true, for example, of the relatively large obligations for the National Science Foundation in 1973 which include \$20 million for a one-time procurement of new aircraft for the U.S. Antarctic research program.

Table P-4. CONDUCT OF RESEARCH AND DEVELOPMENT ¹

(in millions of dollars)

Department or agency	Obligations			Expenditures		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Defense—Military functions.....	8,294	8,338	8,808	8,117	7,873	8,333
National Aeronautics and Space Administration.....	3,183	3,383	2,995	3,373	3,008	3,066
Health, Education, and Welfare.....	1,763	1,832	1,969	1,513	1,670	1,873
Atomic Energy Commission.....	1,298	1,359	1,411	1,298	1,359	1,411
National Science Foundation.....	456	461	516	418	423	446
Transportation.....	351	367	425	274	290	359
Agriculture.....	353	378	351	349	360	343
Interior.....	220	259	262	210	262	255
Commerce.....	184	214	211	165	179	187
Environmental Protection Agency.....	122	177	138	133	146	164
Veterans Administration.....	71	76	78	66	71	75
Housing and Urban Development.....	47	43	71	47	43	61
Justice.....	24	39	54	13	30	46
All other.....	134	184	141	127	173	171
Total, conduct of research and development.....	16,500	17,110	17,430	16,103	15,886	16,790
Total, conduct of research.....	6,483	6,689	6,737	6,169	6,300	6,555
Total, conduct of development.....	10,017	10,421	10,693	9,934	9,586	10,235

¹ "Obligations" and "expenditures" for AEC are both accrued costs which approximate obligations and expenditures for analysis purposes. This table includes administrative expenses associated with the management of research and development as an overhead cost in the conduct and support of research and development by Federal agencies.

Table P-5. RESEARCH AND DEVELOPMENT FACILITIES (in millions of dollars)

Department or agency	Obligations			Expenditures		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Atomic Energy Commission.....	247	355	377	254	262	320
Defense—Military functions.....	175	177	189	158	174	158
National Aeronautics and Space Administration.....	45	110	110	50	54	70
Transportation.....	26	36	50	13	25	32
National Science Foundation.....	18	49	38	17	38	34
Health, Education, and Welfare.....	61	61	36	4	91	63
Interior.....	14	28	28	4	18	25
Commerce.....	7	7	10	5	6	9
Environmental Protection Agency.....	1	32	4	1	5	22
Agriculture.....	12	9	4	10	12	7
All other.....	3	18	22	11	12	24
Total, facilities.....	609	882	868	527	697	764

In the sections that follow the thrust and content of the R. & D. programs, including facilities, of each of the major agencies is discussed.

DEPARTMENT OF DEFENSE—MILITARY

Department of Defense obligations for research and development, including R. & D. facilities and the cost of associated military personnel, will increase by \$482 million over the 1973 level, reaching a total of \$8,997 million. As part of this total, conduct of research will increase by \$122 million to a level of \$1,938 million. Obligations for development programs and operations of test and evaluation facilities will increase by \$348 million to a level of \$6,870 million.

Table P-6. DEPARTMENT OF DEFENSE—MILITARY RESEARCH AND DEVELOPMENT (obligations in millions of dollars)

Purpose and budget title	1972 actual	1973 estimate	1974 estimate
Conduct of research and development:			
Research, development, test, and evaluation:			
Military sciences.....	528	487	502
Aircraft and related equipment.....	2,135	1,873	1,787
Missiles and related equipment.....	1,987	2,102	2,245
Military aeronautics and related equipment.....	378	435	605
Ships, small craft, and related equipment.....	489	580	617
Ordnance, combat vehicles, and related equipment.....	408	351	413
Other equipment.....	1,537	1,610	1,734
Programwide management and support.....	471	526	533
Other appropriations.....	361	374	372
Total, conduct of research and development.....	8,294	8,338	8,808
Total, conduct of research, included above.....	1,791	1,816	1,938
Total, conduct of development, included above.....	6,503	6,522	6,870
Research and development facilities.....	175	177	189
Total, research and development.....	8,469	8,515	8,997

The main objective of Defense research and development is to develop strategic and tactical systems that will allow us to maintain our force effectiveness. At a time when military force strength has been reduced, we must insure that new and improved equipment is available for force modernization. To achieve this goal, a net program increase is required in 1974. In addition, funds will be applied to new or growing programs from those which are trending down or completing development, such as the F-14 or F-15 aircraft. Examples of strategic systems that will continue in major development in 1974 are the Trident sea-based ballistic missile system and the B-1 advanced manned bomber. Research and development will increase on Site Defense of Minuteman to provide an option for additional ballistic missile defense should this be required. For tactical forces, there are major increases in Army tank, helicopter, and ground-based air defense systems; in Navy surface effect ships and antisubmarine warfare programs; and in Air Force close air support aircraft and electronic warfare support aircraft.

In addition to funding development of specific systems, Defense supports research and technology necessary both to provide for the development of future systems as well as to avoid technological surprise. These efforts range from basic studies in such areas as undersea sound propagation, electronic materials, and propulsion systems, to the exploration of new systems concepts such as laser weaponry and advanced surveillance radars.

Another important objective of Defense research and development is to find ways of increasing the efficiency and productivity of our forces. Research will increase on innovative techniques for military education and training in order to lower costs in this area. There will be expanded use of the design to cost approach in the development of weapons systems in order to reduce acquisition costs. In the design of systems, maintenance and support requirements will be more explicitly considered. Improvements in the management of R. & D. will be sought by emphasizing prototype development, improving test and evaluation, minimizing simultaneous development and production, and cooperating with our allies to make more efficient use of joint technical resources.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The 1974 NASA budget—which is classified entirely as research and development—provides for continuing a balanced effort among programs in manned space flight, space science, applications, and aeronautics. The decrease in obligations in 1974 largely reflects completion of the manned Apollo program and transition to the major initiative for the 1970's, the Space Shuttle.

Table P-7. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—RESEARCH AND DEVELOPMENT (in millions of dollars)

Program	1972 actual	1973 estimate	1974 estimate
Conduct of research and development:			
Manned space flight.....	1,286	1,157	1,057
Space sciences.....	534	660	575
Space applications.....	205	208	162
Space research and technology.....	76	65	65
Aeronautical research and technology.....	109	151	171
Nuclear power and propulsion.....	30	17	4
Supporting activities.....	269	252	254
Research and program management.....	740	715	707
Total, conduct of research and development, budget plan..	3,249	3,225	2,995
Research and development facilities, budget plan.....	54	77	112
Total, research and development, budget plan.....	3,303	3,302	3,107
Total, research and development, obligations.....	3,229	3,492	3,105

The funds in the NASA budget for 1974 are tied to the support of a number of near and longer term space projects. Following the Skylab experimental space station in 1973, the next mission in manned space flight will be the Apollo-Soyuz test project to rendezvous and dock United States and U.S.S.R. spacecraft in 1975. The Space Shuttle will be developed through the 1970's. It will make it possible to reduce the cost of space operations by recovering satellites for refurbishment and reuse, repairing satellites on-orbit, and reusing launch vehicles.

The main thrust in the space sciences program will be the exploration of the solar system with the two Viking unmanned orbiter/lander spacecraft scheduled for launch to Mars in 1975 and the Mariner spacecraft for the Jupiter/Saturn flyby mission scheduled for launch in 1977. The High Energy Astronomy Observatory (HEAO) designed to study celestial X-ray and gamma-ray sources and cosmic rays will be suspended for at least 1 year while NASA studies ways to meet some of HEAO's objectives at lower cost. Work will continue on advancing satellite capabilities in earth resources, geodesy, and meteorology.

Aeronautical research and technology will emphasize ways to reduce noise from engines of existing aircraft and to provide the United States with the option to initiate development of an advanced supersonic transport later in the 1970's.

HEALTH, EDUCATION, AND WELFARE

Obligations of the Department of Health, Education, and Welfare for the conduct of research and development will increase from \$1,832 million in 1973 to \$1,969 million in 1974. The increase of \$137 million reflects the net result of efforts to examine research priorities, reorient on-going programs, and with limited additional funds provide significant increases in selected areas of special national concern, as in cancer, heart disease, and educational research; and to improve the organiza-

tion and management of research as, for example, through further expansion and strengthening of the National Institute of Education.

Table P-8. HEALTH, EDUCATION, AND WELFARE—RESEARCH AND DEVELOPMENT (obligations in millions of dollars)

Organization	1972 actual	1973 estimate	1974 estimate
Conduct of research and development:			
National Institutes of Health.....	1,259	1,306	1,361
Health Services and Mental Health Administration.....	245	224	219
Education programs:			
National Institute of Education.....		110	162
Office of Education.....	130	58	53
Social and Rehabilitation Service.....	68	60	55
Food and Drug Administration.....	30	37	41
All other.....	31	37	78
Total, conduct of research and development.....	1,763	1,832	1,969
Research and development facilities.....	61	61	36
Total, research and development.....	1,824	1,893	2,005

In biomedical research, the increase in funds for the National Institutes of Health continues a major effort to obtain new knowledge to combat heart disease and cancer. Obligations for these purposes will increase from \$588 million in 1973 to \$680 million in 1974. Efforts will continue in other targeted areas of biomedical research, including sickle cell anemia, aging, family planning, venereal disease, drug addiction, and environmental health. The details on Federal health programs can be found in Special Analysis J of this volume.

Educational research funding will increase in 1974. While research in selected, specialized areas, such as vocational education and education for the handicapped, will remain in the Office of Education, the focal point for educational research and experimentation in all facets of school and nonschool education will be the National Institute of Education (NIE). The Institute will also disseminate research results to local communities to assist them in implementing educational innovations that best meet their needs. Obligations for the NIE will increase from \$110 million in 1973 to \$162 million in 1974.

ATOMIC ENERGY COMMISSION

Operating costs of the Atomic Energy Commission for conduct of research and development will increase from \$1,359 million in 1973 to \$1,411 million in 1974, and obligations for related construction and equipment will total \$377 million in 1974.

The AEC 1974 budget reflects increased emphasis on energy R. & D., while maintaining continued support for military and basic and applied research programs.

An increase of \$40 million for the conduct of energy R. & D., excluding facilities, brings the total for this purpose to \$410 million in 1974. The largest increases are for the civilian power reactor development program, principally related to the development of the

liquid metal fast breeder reactor (LMFBR). The LMFBR is the top priority civilian program of AEC, and is expected to play a critical role in meeting the growing future needs for clean electrical energy. The 1974 budget provides \$20 million for the Government's direct contribution to the construction of an LMFBR demonstration plant to be built, in cooperation with the Nation's public and private utilities, on a TVA site on the Clinch River near Oak Ridge. The demonstration plant is scheduled to be operational by 1980.

Table P-9. **ATOMIC ENERGY COMMISSION—RESEARCH AND DEVELOPMENT** (obligations in millions of dollars)

Program	1972 actual	1973 estimate	1974 estimate
Conduct of research and development:			
National security:			
Weapons research.....	65	64	67
Weapons development and testing.....	386	387	387
Naval reactor development.....	139	150	154
Nuclear materials security and waste management.....	9	10	17
Total, national security.....	599	611	625
Energy:			
Liquid metal fast-breeder reactor.....	181	205	240
Controlled thermonuclear fusion research ¹	31	37	44
Nuclear fuels process development).....	31	32	39
Other nuclear power.....	79	88	81
Applied energy technology ²	7	8	6
Total, energy.....	329	370	410
Physical research.....	234	241	250
Biomedical and environmental research.....	88	93	98
Space and other science.....	48	44	28
Total, conduct of research and development.....	1,298	1,359	1,411
Research and development facilities.....	247	355	377
Total, research and development.....	1,545	1,714	1,788

¹ Excludes laser fusion research and development included under weapons research above, as follows: 1972, \$16 million; 1973, \$22 million; and 1974, \$34 million.

² Excludes isotopes development program, which is included in space and other science program.

Other AEC energy R. & D. programs will also increase in 1974. The controlled thermonuclear fusion research (CTFR) program will be increased by 40% above 1972. The CTFR program seeks to develop an entirely new and plentiful source of clean, electrical energy for the long-term future. Increases are also provided for process improvements in nuclear materials, primarily directed toward the development of the gas centrifuge method for producing enriched uranium as fuel for nuclear powerplants. Increased funding is provided for research and development of methods for treating and storing nuclear waste materials.

Additional funding is provided for AEC's physical research program, including high, medium, and low energy physics. A \$10 million increase in operating funds is provided in the 1974 budget for the first full year of operation of the National Accelerator Laboratory housing the world's largest accelerator for high energy physics. An increase of about \$3 million is provided for the operation of the Los Alamos Meson Physics Facility for medium energy physics research.

The biomedical and environmental research programs will increase by \$5 million in 1974, principally for environmental studies.

The reductions in space and other science programs reflect the decision to phase out the space propulsion activities, terminate space electric power reactor projects, and to scale down the isotopes development program.

The AEC budget for research and development facilities in 1974 provides for obligations of \$377 million, \$22 million more than 1973. Included in 1974 are \$88 million for continued construction of the Fast Flux Test Facility in support of the LMFBR program; \$57 million for continued construction of a facility for development and testing of a new prototype nuclear propulsion plant in support of the naval reactor program; and \$10 million for completion of construction of the National Accelerator Laboratory.

NATIONAL SCIENCE FOUNDATION

National Science Foundation obligations for research, development and related facilities will increase from \$510 million in 1973 to \$554 million in 1974. Major emphases will be to expand research on selected domestic problems; to increase support for fundamental research in the long-range national interest; and to improve our understanding of how research and development affects the economy.

With expanded funding, the program of research applied to national needs (RANN) will provide a scientific and technical basis for developing solar power as a future source of clean and economical energy; for advancing tunneling technology for urban use; and for understanding and modifying the effects of natural hazards, such as earthquakes.

Increases in project support and for further development of the Very Large Array, a major new radio astronomy facility, will advance science across a broad spectrum from basic studies in astronomy to problem-oriented research such as analysis of the properties of materials for potential industrial application.

Last year's Presidential message on science and technology emphasized the need for a better understanding of the factors that influence investment in R. & D. and its application. In 1974, the assessment program will continue its study of the impact of R. & D. on economic growth and productivity and the effects of alternative Federal policies on technological innovation. The R. & D. incentives program will explore ways to increase non-Federal funding of R. & D. and the application of science and technology to industrial growth and the improvement of government services at State and local levels. It will seek to make more effective use of the Nation's overall research and development resources through support of cooperative efforts among universities, industry, and Federal laboratories.

DEPARTMENT OF TRANSPORTATION

Under this Administration, obligations for Department of Transportation research and development, including facilities, have grown rapidly from \$170 million in 1969 to \$475 million in 1974. This substantial increase reflects a consensus that research in this vital area of our economy has been neglected too long. With alternatives now better defined, careful tradeoffs have been made in 1974 to emphasize near-term problems in urban mobility, environmental protection, energy conservation, and safety in all transportation modes. Future concepts such as personal rapid transit and tracked levitated vehicle systems continue to receive support.

Ground transportation obligations will increase from \$206 million in 1973 to \$230 million in 1974. Highway research funding will strengthen cooperative programs with State governments to reduce the high costs of maintenance, improve safety features in construction, and develop innovative methods to increase the capacity of existing urban highways. Highway traffic safety research in 1974 will support the experimental alcohol safety action projects which deal with the chronic alcoholic driver. Research will also be pursued on uniform standards for tires, vehicle lights, and other safety-related devices. Railroad safety will be emphasized in 1974 with a focus on track, signaling, rail crossing, and train illumination standards.

Urban mass transit research in 1974 will explore new techniques to improve urban mobility. New urban bus prototypes with increased safety, low-pollution propulsion and low noise will be evaluated in 1974. An experiment to foster better intermodal integration of existing mass transportation will be initiated to decrease transit times and improve service. By further developing personal rapid transit concepts, it will be possible to determine if they are feasible alternatives to future mass transit systems.

Air transportation research increases primarily for the development of microwave instrument landing systems and advanced airborne beacons to increase airway safety and capacity in the late 1970's. Research on automation will focus on the enhancement of the basic air traffic control system and integration of present systems with the advanced landing aids and improved tracking systems. Research will also investigate satellites to improve communications with aircraft in transoceanic corridors.

Water transportation research in 1974 will stress maritime pollution control systems development, all weather harbor traffic monitoring and improved aids to navigation. Methods to improve the safety of recreational watercraft will be investigated consistent with new boating safety responsibilities placed upon the Department.

New departmental research in 1974 will also investigate, in cooperation with other Government agencies, techniques which could reduce the amounts of energy consumed by transportation with emphasis on the internal combustion powered automobile.

DEPARTMENT OF INTERIOR

Obligations of the Department of the Interior for the conduct of research and development will be \$262 million in 1974 compared to \$259 million in 1973, with an additional \$28 million for facilities in

both years. This net increase reflects changes in the mix and priorities of Interior R. & D. programs and an effort to allocate resources to address major national problems.

The principal and most significant change for 1974 is a substantial increase in funding for energy programs of the Department—from \$103 million in 1973 to \$133 million in 1974. As part of a broad, coordinated Government-wide effort, research will be strengthened to augment the future supply of energy from fossil fuels and to improve the utilization of energy. Programs will be accelerated in the pre-combustion cleaning of coal—to meet environmental standards; in coal liquefaction and gasification and in magnetohydrodynamics—to produce energy from coal more efficiently and with less pollution. Research will be continued in mine health and safety to improve productivity in and the environment for the mining of coal resources.

Funds for energy R. & D. are provided through the Bureau of Mines and the Office of Coal Research and also through a proposed central fund in the Office of the Secretary which will provide a flexible source of support to respond to and exploit promising new technologies in nonnuclear energy.

As an offset to this increase in energy R. & D., some \$17 million will be saved in 1974 by curtailing development activities principally in the saline water program but also in the Bureau of Reclamation. The completion of test and pilot projects to desalt water permits the Department to reduce the level of its development program and emphasize exploratory research on promising methods of economical desalting that can be made attractive for future non-Federal exploitation. Similarly, in reclamation research, the program will be reoriented with more attention to studies on water resources management. These studies will deal comprehensively with the feasibility of reuse or recycling of existing water supplies, reassessment of the economic value of additional agricultural development, improvements in irrigation practices and techniques, and other related activities.

Aside from these program changes, major research and development activities will continue, essentially at present levels, in the Geological Survey—accounting for some \$65 million in 1974—and in the Bureau of Sport Fisheries and Wildlife—at a level of \$24 million in 1974.

DEPARTMENT OF AGRICULTURE

Obligations of the Department of Agriculture for the conduct of research and development will decrease from \$378 million in 1973 to \$351 million in 1974. An additional \$4 million will be obligated for facilities in 1974 as compared with \$9 million in 1973.

The research program of the Department is being realigned to make more efficient and effective use of available resources and to concentrate on problems of greatest importance to agricultural productivity, environmental quality, consumer protection, and in support of rural development.

Actions are also underway to improve coordination of the research activities of the departmental research agencies with those of the State agricultural experiment stations, schools of forestry, and with the research programs at the land grant schools of 1890. This effort is designed to eliminate duplication of activities, to improve the

quality of research, and to encourage realignment of activities to support resolution of problems of greatest importance to States, regions, and the Nation.

The concentration of scientific resources in fewer, stronger centers with research capability across disciplinary lines will result in a more effective overall agricultural research program. These actions—together with the elimination of lower priority work—will permit a reduction in the overall level of funding for research and development in the Department.

DEPARTMENT OF COMMERCE

Department of Commerce obligations for the conduct of research and development will decrease slightly in 1974, from \$214 million in 1973 to \$211 million in 1974, but total obligations for research and development, including facilities, will be maintained at the 1973 level of \$221 million. This reflects the termination of the small research program of the Economic Development Administration, and a substantial increase for facilities for research and development on weather prediction, warning, and modification.

The principal objectives of the research and development programs in the Department of Commerce are to continue to improve the environmental prediction and warning capabilities of the National Oceanic and Atmospheric Administration (NOAA); develop technology to improve the competitive position of the U.S. maritime industry; and encourage technological advancement through improved performance and measurement standards.

In 1974, NOAA's research and development will focus on improving weather prediction and warning, to help reduce loss of life and property from natural disasters. This will include expanded atmospheric research to further our understanding of tropical weather systems which influence weather patterns in this country. Installation of a fifth generation computer in 1973 will allow comprehensive mathematical modeling of the oceans and atmosphere as a complete system to serve as a basis for extending the time range of weather and ocean forecasts.

In the marine sciences, NOAA will investigate the effects of ocean dumping on marine ecosystems to permit more rational management of marine resources; increase research to protect marine mammals; and continue the sea grant program to find more effective means of using marine resources.

The technology development and utilization programs of the National Bureau of Standards will be increased, with emphasis on efforts in fire prevention and control, building technology to reduce energy loss, improved instruments to measure environmental pollution, and testing incentives to accelerate the application of scientific and technological capabilities in achieving national goals.

The Maritime Administration will continue to emphasize research and development to assist the U.S. maritime industry to develop the technology necessary to improve its international competitive position. The emphasis will be on improved shipboard automation and new, more efficient, propulsion systems.

ENVIRONMENTAL PROTECTION AGENCY

Obligations of the Environmental Protection Agency for the conduct of research and development will drop from \$177 million in 1973 to \$138 million in 1974. Obligations for facilities will be \$32 million in 1973 and \$4 million in 1974.

During its first 2 years, EPA continued research and development objectives established prior to its creation. In 1973, an indepth assessment of its R. & D. activities led to a major redirection of the program, placing less emphasis on future control technology development by EPA and relying more on the capabilities of the private sector to meet the technology requirements of a more intensive enforcement program.

In the near term, already available technology will be utilized to abate and control environmental pollution. EPA will continue the refinement and application of presently available technologies and the study of human health and ecological effects and of the costs and benefits of alternative standards and regulatory approaches. This shift in emphasis will permit more effective identification and evaluation of potentially new environmental problems.

Water quality research will develop criteria for protection of marine and freshwater fish and other aquatic life and further understanding of the eutrophication process and lake restoration procedures. The Great Lakes research program, initiated in 1973, to identify and assess pollution problems in these lakes will receive continued support. In the area of control technology the major thrust will be aimed at closed loop systems for treatment and control of water pollution.

Air quality research and development will concentrate on field testing of regional air pollution models and investigation of pollution processes as part of the regional air pollution study and on continued epidemiological and toxicological studies of the effects of airborne pollutants on man and animals. Current demonstrations of stack gas treatment technology will be concluded and no new demonstrations will be started with 1974 funds. Emphasis will shift to the long-term development of an advanced, clean-fuel automotive power source—the one which is judged most promising from those currently under development.

RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES

Included in agency funding above—and one indicator of Federal support of science—are funds to universities for research and development activities to assist in achieving agency missions. The 1974 budget will provide \$1,997 million for this purpose as contrasted with \$1,907 million in 1973.

The 1974 budget continues efforts to encourage educational institutions to undertake research related to national problems, ranging from studies of the causes of cancer and heart disease to the problems of industry in improving economic productivity and introducing technological advances. It will also provide continued support for

fundamental research across all disciplines. The increase in research will not only assist in the support of faculty investigators but also aid in the training of science and engineering graduate students through employment on research projects.

Table P-10. **RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES** ¹ (in millions of dollars)

Department or agency	Obligations			Expenditures		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Health, Education, and Welfare..	874	885	935	721	765	839
National Science Foundation...	374	378	423	342	347	365
Defense—Military functions...	212	219	218	219	225	219
National Aeronautics and Space Administration.....	119	117	114	131	123	119
Atomic Energy Commission.....	85	84	87	85	84	87
Agriculture.....	88	96	77	79	88	73
All other.....	116	128	143	94	118	134
Total.....	1,868	1,907	1,997	1,671	1,750	1,836

¹ Amounts reported in this table are included in the totals for conduct of research and development in table P-4.

SPECIAL ANALYSIS Q

FEDERAL ENVIRONMENTAL PROGRAMS

This analysis identifies Federal funding for environmental activities in three selected categories:

- Pollution control and abatement activities;
- Activities to protect and enhance the environment; and
- Activities to understand, describe and predict environmental conditions.

POLLUTION CONTROL AND ABATEMENT

The Federal Government's programs to control and abate pollution are directed toward continuing a strong effort to decrease environmental degradation while holding down inflation and recognizing resource requirements for other programs.

[In millions of dollars]

	<i>1970</i> <i>actual</i>	<i>1971</i> <i>actual</i>	<i>1972</i> <i>actual</i>	<i>1973</i> <i>estimate</i>	<i>1974</i> <i>estimate</i>
Budget authority.....	1,432	1,823	3,196	8,334	1,559
Outlays.....	751	1,149	1,314	1,917	3,111

Budget authority for the 1973 and 1974 period is nearly 7 times that appropriated in 1970. Outlays for these programs in 1974 will increase by \$1,194 million over the 1973 level. Of the total outlays, \$727 million in 1973 and \$1.6 billion in 1974 will be for grants for the construction of waste treatment plants. Funds allotted to the States for waste treatment facilities construction will total \$2 billion for 1973 and \$3 billion for 1974. The budget authority for both of these years is shown in 1973 as provided by law. Grants from the allotted funds will cover 75% of the costs of constructing municipal sewage treatment facilities. Appropriations and allotments since the beginning of 1972 total \$8.9 billion, nearly three times the amount appropriated in the preceding 15 years. This amount, added to unexpended prior-year funds, makes a total of \$10.1 billion available in 1973 and 1974 for construction of waste treatment facilities.

Grants are also made to State and local governments for pollution control as indicated in table Q-1. Outlays for these grants will increase by 108% over 1973, from \$835 million to \$1,735 million.

Table Q-1. POLLUTION CONTROL AND ABATEMENT ACTIVITIES

(in millions of dollars)

Type of activity	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Financial aid to State and local governments.....	2,112	7,056	¹ 192	490	835	1,735
Research and development.....	487	591	614	403	502	590
Federal abatement and control operations.....	172	229	270	164	207	266
Manpower development.....	14	14	12	10	15	15
Reduce pollution from Federal facilities.....	252	310	315	152	232	345
Other pollution control and abatement activities.....	159	134	156	95	126	160
Total.....	3,196	8,334	1,559	1,314	1,917	3,111

¹ Contract authority for the Environmental Protection Agency in 1974 was made available in 1973 as provided by law.

Included in these grants are funds made available to State, regional, and local agencies to help support air pollution control programs. Outlays of \$51 million in 1974 will provide financial assistance for implementing the national primary and secondary ambient air quality standards. Assistance will be provided in the development of air quality monitoring systems, emissions inventories, plans for effective enforcement of standards, land use and transportation control regulations, and emergency episode plans. Technical assistance is also provided through program grants to assist State, interstate and other pollution control agencies in developing their technical capabilities.

For research and development activities, outlays will increase by 18% from \$502 million in 1973 to \$590 million in 1974. These activities include efforts oriented toward determining the sources and effects of pollution and to develop and test pollution control technologies. Current policy calls for: less emphasis on development of new control technologies leaving more of this to the private sector, permitting the continued refinement and application of presently available technologies, the study of human health effects, ecological effects, and the economic costs and benefits of alternative standards and regulatory approaches. This shift in emphasis will permit more effective identification and evaluation of potentially new environmental problems.

Water quality research will emphasize development of criteria for protection of marine and fresh water fish and other aquatic life, achievement of better understanding of the eutrophication process, and development of lake restoration procedures. The Great Lakes research program, initiated in 1973 to identify and assess pollution problems in the Great Lakes, will receive continued support.

Air quality research and development efforts will concentrate on effects through initiation of field investigation of regional air pollution models and processes and continue epidemiological and toxicological studies of the effects of pollutants on man and animals. Ongoing demonstrations of stack gas treatment technology will be completed

and efforts will be directed to long-term technologies relative to clean fuel development.

Outlays for Federal abatement and control operations will increase by 28% from \$207 million in 1973 to \$266 million in 1974. This includes funds for planning, monitoring and surveillance, standard setting and enforcement, and technical assistance. Funding for manpower development activities will continue to decline somewhat, reflecting the steady growth in the number of people interested in and available for positions in environmental activities.

Federal agencies are involved in a range of activities to control pollution from their facilities. Among them are construction or modification of waste treatment plants, fuel conversion and stack gas cleaning for air pollution control and cooperative projects with States and communities for solid or liquid waste disposal. Outlays for these activities will increase by 49% in 1974, from \$232 million in 1973 to \$345 million in 1974, primarily in the Department of Defense for pollution originating from ships.

Agencies involved.—Major Federal activities to control and abate pollution are conducted in the Environmental Protection Agency. A number of other agencies also carry on important pollution control activities, as indicated in table Q-2.

Table Q-2. POLLUTION CONTROL AND ABATEMENT ACTIVITIES—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Environmental Protection Agency.....	2, 448	7, 421	1 590	763	1, 147	2, 127
Defense—Military.....	208	306	347	134	197	282
Atomic Energy Commission....	144	166	198	138	162	191
Transportation.....	86	107	114	40	73	90
Agriculture.....	100	103	80	77	110	120
Defense—Civil.....	9	14	10	8	16	11
Interior.....	112	107	120	73	103	116
Commerce.....	18	14	4	12	16	19
National Aeronautics and Space Administration.....	27	58	61	16	36	46
National Science Foundation....	15	15	17	15	15	17
Other agencies.....	29	23	18	38	42	92
Total.....	3, 196	8, 334	1, 559	1, 314	1, 917	3, 111

¹ Contract authority for the Environmental Protection Agency in 1974 was made available in 1973 as provided by law.

Outlays for EPA will increase by 85%, from \$1,147 million in 1973 to \$2,127 million in 1974. The greatest single category of Federal spending for pollution control and abatement is for constructing or improving waste treatment plants. EPA provides funds to localities for the construction of modern treatment plants, including experimental pilot plants that might demonstrate a more efficient way of treating municipal sewage. In the past year, a number of these experimental projects showed promise. Among them:

- A full-scale demonstration of the removal of phosphates from water by the addition of minerals with minimum modification of the installation.
- The technical and economic practicality of utilizing waste "pickle liquor" to remove phosphorus from raw sewage has been developed in some six different projects.
- A plant study which demonstrates how secondary treatment plant effluent can be disinfected with ultra-violet light.

Research and development accounts for \$125 million of EPA's 1974 budget. Outlays of \$53 million will be allocated for studying the processes and effects of pollutants. Processes and effects research will include the health effects of pollutants, the ecological and other nonhealth effects of pollutants, the movement and transformation of pollutants, the measurements, measurement methods and instruments used in assessing pollution problems. Outlays of \$72 million will be allocated in 1974 to provide the technology necessary to abate and control air and water pollution.

Progress has been made in the implementation of the Clean Air Act Amendments of 1970, enforcement of other environmental laws and the passage of a wide range of environmental legislation. The Federal program to enhance air quality moved forward as EPA and the States began to implement their numerous regulatory responsibilities under the comprehensive Clean Air Act Amendments of 1970. EPA promulgated a series of proposed and final regulations spelling out requirements of the Clean Air Act. The broadest effort centered on the submission, review, and approval of State plans to implement National Ambient Air Quality Standards. The plans of all 50 States or other jurisdictions have been given partial or final approval. A shift in resources will occur within EPA from review of State implementation plans to execution of the implementation plans and enforcement. Funding will increase in 1974 directed largely to enforcement of emission standards for new sources and hazardous pollutants and for monitoring of State enforcement programs. Funding is also increased to implement new environmental legislation. The Federal Environmental Pesticide Control Act of 1972 will provide stronger EPA regulatory authority in the areas of registration, labeling and use of pesticides and considerably strengthens enforcement authority. The Noise Control Act of 1972 empowers EPA to set standards limiting the noise generating characteristics of construction and transportation equipment and other equipment powered by internal combustion engines. The standards would cover such major sources of noise as automobiles, trucks, motorcycles, compressors, and off-road vehicles. The Marine Protection Research and Sanctuaries Act of 1972 authorizes EPA to ban unregulated dumping and to strictly limit disposal of any materials harmful to the marine environment. The 1972 amendments to the Federal Water Pollution Control Act greatly increase aid to States and localities for building waste treatment facilities and sets new goals for cleanup of rivers, lakes and other waters.

Other agencies also carry out important pollution control and abatement activities. For example, the *Department of Defense* will continue to expand its R. & D. programs to reduce pollution from its industrial production facilities, military bases, naval vessels, aircraft, and jet engine test facilities.

The *Atomic Energy Commission* will continue its program of research, development, and monitoring to provide information required to assure that nuclear operations are conducted according to procedures which minimize or eliminate potential effects on man and his environment. Increased emphasis in 1974 will be placed on thermal alteration of public waters and the effects of such additives or contaminants as chlorine, trace metals, and biocides in reactor effluents. The regulatory program will increase significantly in 1974, primarily to meet the increased workload created by additional applications projected from the growing number of proposed new powerplants.

The *Department of Agriculture* conducts research on agriculturally related pollution such as pesticides, animal and crop processing wastes, fertilizer and plant nutrients. Progress has been made in reducing pollution from facilities in National forests by a minimization of stream pollution and sediment, and prevention of logging residue deposition in stream channels.

The *Department of the Interior* will continue research relating to pollution sources and effects, will expand activities to reduce pollution from facilities in the national parks, and will increase research under pilot plant programs to develop methods of converting coal to fuel gas with less pollution. In addition, a new energy research and development fund of \$25 million is to be established in the Department of the Interior to provide support for technological opportunities that may arise in the area of low pollution nonnuclear energy production and utilization.

The *Corps of Engineers* will continue projects planned with the purpose of gathering information to permit a more accurate assessment of the effects of offshore construction, offshore dredging, navigation channel dredging, and fundamental knowledge of coastal vegetation and its use to achieve engineering and ecological goals.

The *Department of Transportation* will continue funding for work on reducing aircraft engine noise, studying environmental effects of aircraft, and reducing pollution from Coast Guard facilities.

The *Department of Commerce* conducts environmental monitoring and prediction activities related to air and water pollution through the National Oceanic and Atmospheric Administration. The National Bureau of Standards is engaging in research and development for reference standards and measurement systems in air, water, noise, electromagnetic, and radiation pollution. The Maritime Administration's pollution abatement program is directed toward achieving pollution-free ship operations.

The *National Aeronautics and Space Administration* conducts a continuing research and development program to improve the technology of aircraft noise reduction. Techniques for reducing pollutant emissions will include studies in primary combustors and reheat burners. Principal attention during 1974 will be given to reducing emissions of nitric oxide at high power settings and carbon monoxide and hydrocarbons at engine idle. Techniques, procedures, and prototype equipment are being developed and tested to provide the capability of atmospheric purification, water purification, and solid waste management for use in advanced spacecraft.

Media polluted and pollutants.—Pollution control and abatement activities are generally focused on reducing a variety of pollutants

in air or water or particular classes of pollutants such as pesticides or radiation. Table Q-3 summarizes the total Federal effort in terms of media polluted and also identifies funding associated with selected pollutants. Among the media, water pollution currently receives the greatest share—81%—of total Federal pollution control obligations. This large share is a result of grants and loans for construction of municipal waste treatment facilities.

Air pollution efforts account for 10% of the total. Federal efforts in 1974 include research and development, grants to State and local air pollution control agencies, and direct Federal operations such as monitoring, standard setting, and enforcement. Increased emphasis will be given in 1974 to improving knowledge of the health related effects of various concentrations of pollutants, and quantifying the health benefits that would result from their control. Activities relating to pollution of land are for research and other studies concerned with effects of acid mine drainage, nutrients, pesticides, and other substances.

Federal pollution control activities relating to radiation, pesticides, solid wastes, and noise are directed toward research relating to effects, control technology, and standard setting and enforcement.

Table Q-3. **POLLUTION CONTROL AND ABATEMENT ACTIVITIES—BY MEDIA OR POLLUTANT** (in millions of dollars)

Media or pollutant	Obligations		
	1972 actual	1973 estimate	1974 estimate
Media polluted:			
Water:			
Construction grants and loans.....	839	3,875	3,400
Other.....	328	469	576
Air.....	373	535	504
Land.....	55	57	54
Other (e.g., living things, materials).....	200	314	246
Multimedia (i.e., more than one of above).....	73	86	106
Total.....	1,868	5,336	4,886
Selected pollutants:¹			
Solid wastes.....	91	116	106
Pesticides.....	40	45	52
Radiation.....	141	174	193
Noise.....	77	103	90

¹ Funds for selected pollutants are included in the "media" breakdown above.

Excluded from funding shown above for pollution control and abatement activities are activities that are carried on for some other primary purpose but which also contribute to the reduction of pollution. For example, extensive activities to hold soil in place to preserve soil productivity, such as those financed by the Department of Agriculture, and erosion control activities by Corps of Engineers and Department of Transportation (highways), have been excluded from this analysis even though these activities also serve to reduce sediment pollution of water.

SELECTED ENVIRONMENTAL PROTECTION AND ENHANCEMENT
ACTIVITIES

Federal funding will increase for environmental protection and enhancement activities such as providing recreational areas, parks, historic sites, and fish and wildlife preservation.

[In millions of dollars]

	1972 actual	1973 estimate	1974 estimate
Budget authority.....	1,068	1,039	701
Outlays.....	718	878	940

Protection and enhancement activities.—The Federal Government provides grants to State and local governments for acquiring land for recreational purposes, for preserving open space and historic properties, and for fish and wildlife refuges. Aid is also provided for research and planning, construction and maintenance of recreational facilities and wildlife refuges. Outlays for aid to State and local governments will increase by 21% from \$262 million in 1973 to \$318 million in 1974.

The Federal Government also performs directly such activities as acquiring lands for the preservation of unique natural areas and for recreation, supporting sport fisheries and wildlife preservation activities, preserving historic properties, and conducting related functions.

Environmental protection and enhancement activities include:

- City recreation, which covers all federally assisted or direct Federal projects or activities (including historic preservation) which are located within incorporated places of 25,000 or more population.
- Unique natural areas and endangered species, which covers all national parks, monuments, scenic rivers, trails, wilderness, seashores and refuges for endangered species, and similar non-Federal areas.
- Noncity general recreation, which covers all national recreation areas, recreation programs in national forests, separable recreation costs for Federal water projects, and federally assisted State and local areas located outside incorporated places of 25,000 or more population.
- Sport fish and wildlife, which covers all national wildlife refuges, national fish hatcheries and federally assisted projects serving similar purposes including rare and endangered species.
- Historic preservation and rehabilitation, which covers all national historic sites, military parks, battlefields, and similar areas and federally assisted historic preservation and rehabilitation.
- All other activities, which include all Federal aid and direct Federal costs for general administration, planning, studies, and similar activities not otherwise allocated.

Table Q-4. SELECTED ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACTIVITIES (in millions of dollars)

	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Financial aid to State and local governments:						
Purchase, development, and operations:						
City recreation.....	119	103	11	52	62	78
Preserve unique natural areas and protect endangered species.....	31	30	0	21	20	24
Noncity general recreation.....	206	149	43	78	106	133
Sport fish and wildlife.....	57	64	65	56	62	62
Historic preservation and rehabilitation.....	12	13	16	7	10	18
All other State and local aid.....	2	3	3	1	2	3
Subtotal.....	<u>427</u>	<u>362</u>	<u>138</u>	<u>215</u>	<u>262</u>	<u>318</u>
Direct Federal activities:						
Purchase, development, and operations:						
City recreation.....	51	51	60	42	45	59
Preserve unique natural areas and protect endangered species.....	163	173	125	114	130	127
Noncity general recreation.....	150	199	176	127	192	188
Sport fish and wildlife.....	110	107	106	99	114	114
Historic preservation and rehabilitation.....	53	70	61	36	57	60
All other direct Federal activity.....	114	77	35	85	78	74
Subtotal.....	<u>641</u>	<u>677</u>	<u>567</u>	<u>509</u>	<u>614</u>	<u>627</u>
Total.....	<u>1,068</u>	<u>1,039</u>	<u>701</u>	<u>718</u>	<u>878</u>	<u>940</u>

Agencies involved.—The *Department of the Interior* accounts for approximately 75% of the outlays for the environmental protection and enhancement activities described in this section.

The Bureau of Outdoor Recreation promotes coordination of Federal outdoor recreation programs, and administers the land and water conservation fund which provides grants for planning, acquisition, and development of State and local recreation areas and Federal purchases of nationally important lands. The 1974 budget for the land and water conservation fund provides \$178 million of obligations for grants to State and local governments to help them meet the increasing demand for local recreation areas, especially those located in or near major cities.

The Bureau of Sport Fisheries and Wildlife provides assistance to State and local governments for fish and wildlife restoration, management, and research. The Bureau administers 95 hatcheries, which

help to support inland fisheries resources, and 342 units in the National Wildlife Refuge System which includes about 31 million acres, of which nearly 20 million acres are in Alaska. Endangered species, including nine mammals, 15 birds, and the alligator, are protected on 82 of the national wildlife refuges. The Bureau manages 271 wildlife refuges with 4.2 million acres for migratory waterfowl and 51 other areas with 4 million acres for other migratory birds.

The National Park Service administers 299 areas comprising about 29 million acres located in 47 States, the District of Columbia, Puerto Rico, and the Virgin Islands. These include national parks, monuments, historic sites, and national recreation areas which have been established to preserve the Nation's natural and historic heritage. In 1974 the Park Service will continue planning and design work and commence construction of visitor facilities in the Nation's Capital and elsewhere for the American Revolution Bicentennial. The Park Service also encourages the preservation of additional historic properties throughout the Nation by assisting the States and territories to conduct statewide historic preservation surveys and by making matching grants for individual preservation projects.

The Bureau of Land Management protects and manages over 450 million acres—mainly in the Western States and Alaska. This land area represents 60% of all federally owned lands and 20% of America's total land base. Legislation proposed by this Administration would establish a national policy that these national resource lands be managed under principles of multiple use and sustained yield in such a way as to protect the quality of the environment. The Bureau of Reclamation provides recreation facilities on some of the reservoir projects which it constructs.

The *Department of Agriculture* carries out a variety of environmental enhancement activities, particularly through the Forest Service. The 187 million acres of National Forest System lands are managed in accordance with the provisions of The Multiple Use-Sustained Yield Act to provide outdoor recreation, range, timber, watershed, and wildlife values in combinations that will best meet the needs of the Nation without impairing the productivity of the land. A review of all existing primitive areas for possible designation as wilderness is underway. Other activities include research to develop more attractive and durable plants, shrubs, flowers, and trees to improve natural beauty.

The *Corps of Engineers* provides facilities for water-based recreation at reservoirs and other public works. As of January 1971, these facilities included 3,284 recreation areas providing 2,666 designated day-use areas, 1,391 designated camping areas with over 50,000 campsites.

Donations, bargain sales and transfers of Federal property.—Assistance to State and local governments for parks, recreation, and historic preservation also is provided in the form of donations of Federal surplus properties and the sale at \$2.50 per acre of public domain lands. In 1974, an estimated 34,000 acres of Federal property will be made available either by donation or by transfer to other Federal agencies and 15,000 acres of public domain lands will be sold at \$2.50 per acre for these purposes.

Table Q-5. SELECTED ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACTIVITIES—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Interior.....	821	778	544	525	649	707
Agriculture.....	71	78	74	71	78	79
Housing and Urban Development.....	100	100	0	52	57	70
Defense—Civil.....	50	76	73	46	86	76
State.....	2	2	2	2	2	2
Tennessee Valley Authority.....	4	3	6	4	4	5
Other agencies.....	20	2	2	18	2	1
Total.....	1,068	1,039	701	718	878	940

UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT ¹

Federal agencies conduct a wide variety of activities to understand, describe, and predict environmental conditions. Objectives range from the provision of routine weather forecasts to the scientific understanding of complex ecological systems.

[In millions of dollars]

	1972 actual	1973 estimate	1974 estimate
Budget authority.....	887	924	903
Outlays.....	839	854	842

Activities.—Over half of the funding for this category supports environmental observation and measurement to describe and predict weather and ocean conditions and to develop methods of prediction and control of earthquakes. Table Q-6 indicates that outlays will amount to \$409 million in 1974 for research, development, and operational activities in this category. Funding will also be provided for:

- Survey activities to describe the physical environment for the purpose of preparing maps and charts; and
- Weather modification.

¹ This section excludes activities reported under pollution control and abatement.

Table Q-6. UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT (in millions of dollars)

Type of activity	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1971 actual	1972 estimate	1974 estimate
Observe and predict weather and ocean conditions, disturbances:						
Research and development...	146	170	167	139	153	160
Operations.....	256	262	271	241	244	249
Locating and describing natural resources:						
Research and development...	163	143	127	157	133	120
Operations.....	63	72	70	65	71	70
Physical environmental surveys:						
Research and development...	10	15	11	8	13	11
Operations.....	96	104	107	92	99	101
Weather modification.....	18	16	23	16	16	19
Research on environmental impact on man.....	54	57	38	47	52	36
Ecological and other basic environmental research.....	81	85	89	74	73	76
Total.....	887	924	903	839	854	842

Continued emphasis will be placed upon research to develop a better understanding of the impact of the environment on man, and on ecological and other basic environmental research, for which outlays will be \$76 million in 1974.

Agencies involved.—In this category as shown in table Q-7, the Department of Commerce currently accounts for about 25% of all Federal activities. NOAA carries on a wide range of environmental observation and prediction activities, weather modification experiments, mapping, and charting, data dissemination services, and related research. Outlays will increase from \$194 million in 1973 to \$207 million in 1974. Particular emphasis will be given to improving weather monitoring, prediction and warning to help further reduce the loss of life and property from natural disasters. Increases in 1974 will allow continued improvement in weather prediction and warnings, initiation of planning for a major hurricane modification research effort in the Pacific, expansion of research on marine ecosystems analysis to help determine the effects of ocean dumping and increased research to protect marine mammals. An increase is also provided for the weather satellite program for continuation of the polar orbiting satellite system as well as implementation of a two geostationary satellite system.

The *Department of Defense* conducts activities in environmental observation and measurement to describe and predict weather and ocean conditions and disturbances important to military operations. Research is conducted in oceanographic instrumentation development and operational systems for observing and forecasting the ocean environment. Research and development is also conducted in weather

modification by nuclear and nucleation process, cloud physics, numerical modeling of warm fog and cumulous cloud situations, and fog dispersal field experiments.

The *National Science Foundation* supports research activities related to improving the quality of the environment, such as the regional environmental systems and weather modification, programs of research applied to national needs (RANN), the international decade of ocean exploration (IDOE), and other environmentally related research programs. Outlays will increase from \$99 million in 1973 to \$107 million in 1974. Particular emphasis will be given to land use planning and management research in 1974 in identifying and analyzing the problems of regional environmental systems such as the Chesapeake Bay, Delaware Basin, and the Gallatin Canyon in the Rockies. Research support will continue for programs designed to develop the degree of scientific understanding of weather phenomena needed to modify weather for man's benefit. Increased emphasis will be placed upon the inadvertent modification of weather by human activities. The influence of weather extremes upon electrical and gas utility demands will be examined to see if such actions as the production of artificially produced cloud cover in the summer or cloud dissipation in the winter can have an impact upon peak energy requirements. Research support will continue for programs to measure and assess the effects of trace contaminants in the environment.

The *Department of the Interior* carries out such activities as geologic investigations, topographic mapping, weather modification, and water resources research. Funds provided in 1974 will support further research on the prediction and control of earthquakes, further appraisal of the potential mineral resources of the Outer Continental Shelves, and continued work on application of remote sensing data from aircraft and spacecraft to earth resource measurement, management and analysis.

The *National Aeronautics and Space Administration* conducts activities concerned with the application of satellite technology to atmospheric sciences and measurement of earth resources. Ongoing projects include an all weather atmospheric sounding experiments satellite (NIMBUS-E. & F.) to improve atmospheric temperature sounding and wind measurements; synchronous cloud imaging satellite (Synchronous Meteorological Satellites, SMS-A. & B.) operational temperature sounding satellite (TIROS-N), a next generation operational prototype extending capability for temperature sounding, and the sounding rocket program to make direct measurements of upper atmospheric parameters. NASA supports the NOAA operational program and conducts an operational satellite improvement program to incorporate research developments into the operational satellite system. In 1974, development of an oceanographic and air pollution observing satellite (NIMBUS-G) will be initiated. The objective of NIMBUS-G is to demonstrate the feasibility of remote sensing systems to detect certain gaseous constituents as well as collect oceanographic data which can be used in weather prediction models.

The *Department of Agriculture* conducts research on such activities as remote sensing of soil properties and uses, salinity, and plant stress effects. A variety of activities are conducted to develop better materials and methods necessary for the establishment of replacement vegetation and proper land management. Several types of environ-

mental analysis and monitoring systems have been established in national forest and in State and private forest programs. Extensive climatological monitoring and forecasting is carried out in connection with fire control programs. Emphasis will continue on basic ecological research.

Table Q-7. UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Commerce.....	212	218	235	188	194	207
Defense—Military.....	160	168	172	156	161	163
National Science Foundation....	118	118	133	106	99	107
Interior.....	134	156	149	131	149	144
National Aeronautics and Space Administration.....	150	142	111	144	129	119
Agriculture.....	56	60	58	59	61	58
Health, Education, and Welfare....	26	26	5	24	26	6
Transportation.....	14	13	13	14	13	13
Smithsonian Institution.....	8	9	10	8	8	9
Other agencies.....	9	14	17	9	14	16
Total.....	887	924	903	839	854	842

The *Department of Health, Education, and Welfare* conducts a variety of activities relating to environmental impact of man, principally research at the Department's National Institutes of Health.

The *Department of Transportation* conducts oceanographic and meteorological research and surveys largely through the Coast Guard.

The *Smithsonian Institution* conducts a variety of programs dealing with environmental impact on man and is developing environmental baseline data on the abundance of plants and animals in relation to modification of the environment by man. Biological and physical data are being assembled and analyzed on specific important ecosystems to predict the consequences of environmental change.

ENVIRONMENTAL RESEARCH AND DEVELOPMENT ACTIVITIES

Sections of this analysis include funding for environmental research and development activities for convenience of reference. Funding for R. & D. included in the three sections is summarized in table Q-8.

Table Q-8. ENVIRONMENTAL RESEARCH AND DEVELOPMENT
ACTIVITIES (in millions of dollars)

Category	Budget authority			Outlays		
	1972 actual	1973 estimate	1974 estimate	1972 actual	1973 estimate	1974 estimate
Pollution control and abatement.....	487	591	614	403	502	590
Understanding, describing, and predicting.....	472	486	455	441	440	422
Total	959	1,077	1,069	844	942	1,012

OTHER ENVIRONMENTAL ACTIVITIES

The meaning of the term "environment" is still subject to widely varying definitions. This special analysis of Federal funding for environmental activities has been limited to selected areas. Among the areas of federally funded activity important to environmental understanding and environmental quality not included in this analysis are:

- Environmental education;
- Preventing or correcting environmental degradation resulting from public works or natural resources exploitation;
- Management of public lands;
- Population control and population distribution;
- Federal activities conducted outside the United States (except that scientific activities financed under the special foreign currency program are included);
- Activities to reduce or avoid the use of pesticides;
- Increased cost of new facilities and low-polluting fuels (e.g., low-sulfur coal) to meet pollution control standards; and
- Highway beautification program.

SPECIAL ANALYSIS R

FEDERAL PROGRAMS FOR THE CONTROL OF DRUG ABUSE

Overview.—Spending for Federal drug abuse prevention and drug law enforcement programs has increased from \$150 million to \$719 million since 1971, a fivefold increase in 3 years.

Table R-1. ESTIMATED SPENDING FOR DRUG ABUSE PREVENTION AND DRUG LAW ENFORCEMENT PROGRAMS (in millions of dollars)

Fiscal year	Outlays
1971.....	150.2
1972.....	413.2
1973.....	654.8
1974.....	719.0

Federal *drug law enforcement programs* are designed to reduce the *supply* of illicit narcotics and dangerous drugs available in the United States. Federal obligations for such programs will rise in 1974 to \$257 million from \$36 million in 1969, a sevenfold increase. These programs include such activities as international law enforcement cooperation and cooperative Federal-State-local law enforcement efforts to identify and arrest street-level pushers.

Drug law enforcement program activities are closely linked to drug abuse prevention. Law enforcement efforts that reduce the supply of drugs also serve to lower drug potency and drive up the price of drugs, thus reducing experimental usage. Together, higher prices combined with lower potency and scarcity can motivate abusers to seek treatment.

Federal *drug abuse prevention programs* are designed to reduce the *demand* for illicit narcotics and dangerous drugs. Activities funded include: treatment programs for addicts; drug abuse education; research; and training. Total estimated Federal obligations for drug abuse prevention programs will rise in 1974 to \$528 million from \$46 million in 1969. These activities account for 67% of the total Federal funds for drug abuse programs in 1974.

Highlights of the drug law enforcement effort include:

- Substantial increases in funding and manpower for both the Bureau of Narcotics and Dangerous Drugs and the Bureau of Customs. These funds support concentrated attacks on smuggling and increased domestic and international investigation of major drug traffickers. In 1972, the Departments of Justice and Treasury removed from the U.S. market or seized overseas:
 - 5,613 pounds of heroin,
 - 887 pounds of cocaine,
 - 451,800 pounds of marihuana, and
 - 220 million dosage units of dangerous drugs.

- Initiation of a coordinated attack on drug trafficking in over 40 target cities by teams of narcotics agents from Federal, State, and local law enforcement agencies. The Office of Drug Abuse Law Enforcement was responsible for 4,245 arrests since the spring of 1972.
- An intensified investigation of the income tax returns of middle and upper level narcotics traffickers aimed at reducing the amount of working capital available for illegal drug operations by assessing and collecting taxes and penalties on unreported income.
- Development of a national narcotics intelligence system to assure proper analysis and distribution of trafficking intelligence information.
- Activation in 1972 of the ban on cultivation of the opium poppy in Turkey and formulation of narcotics control action plans in 59 foreign countries to secure international cooperation in the global war on heroin.
- Preparation and release in 1972 of The World Opium Survey, presenting a comprehensive picture of the location and quantity of opium poppy cultivation.
- Establishment of special narcotics courts in New York City with Federal assistance to assure rapid prosecution of narcotics offenders.
- Development of the Treatment Alternatives to Street Crime program (TASC), linking the criminal justice system to the treatment system. Under this program, drug abusers who are arrested can be placed in treatment to reduce street crime and improve social adjustment.

Highlights of the drug abuse prevention effort include:

- An expansion of federally funded treatment facilities, providing the capacity to treat over 100,000 addicts annually. Funds will be available to expand the capacity for addict treatment to over 250,000 addicts by mid-1974, if necessary. More federally funded treatment facilities were created in 1972 than in the previous 50 years.
- A nationwide review of all methadone maintenance programs. As a result of that review, new methadone regulations were issued on December 15, 1972, designed to assure high quality treatment for addicts and to prevent illicit diversion of this synthetic narcotic substance.
- A worldwide treatment and rehabilitation program for military servicemen, including a large scale screening and early intervention program to identify and treat drug abusers before they become dependent. From June 17, 1971 to September 30, 1972, 250 drug treatment and rehabilitation facilities were activated. During this period, an average of 8,500 servicemen were receiving treatment.
- A newly developed Veterans Administration treatment system that offered care to more than 20,000 veterans in 1972.

DRUG LAW ENFORCEMENT PROGRAMS

Total estimated obligations for drug law enforcement will rise in 1974 to \$257 million from \$228 million in 1973 and \$164 million in 1972. Drug law enforcement programs account for 33% of the total funds available in 1974 for drug abuse. Detailed obligations by both program category and agency are shown in a table at the end of this analysis.

Table R-2. DRUG LAW ENFORCEMENT OBLIGATIONS (in millions of dollars)

Agency	1972	1973	1974
Justice:			
LEAA.....	19.6	36.3	44.1
BNDD.....	63.3	70.5	74.1
Other Justice.....	-----	2.2	6.7
State.....	1.0	1.5	1.5
Agency for International Development.....	20.7	42.7	42.7
Treasury:			
IRS.....	10.1	18.9	19.7
Customs.....	46.9	54.3	66.2
Agriculture.....	2.1	1.8	1.8
Transportation.....	.1	.1	.1
Total.....	163.8	228.3	256.9

This increase reflects an intensified effort to deny narcotics to abusers and addicts by halting production and trafficking from abroad, interdiction narcotics smuggling at national borders, and preventing the sale of drugs on city streets.

The *Office for Drug Abuse Law Enforcement* (DALE) in the Department of Justice conducts operations against street pushers with criminal investigators from BNDD and Customs and with special U.S. Attorneys. These groups serve on task forces with State and local enforcement personnel in over 40 target cities. Special grand juries expedite consideration of cases. In its first 8 months of operation, DALE arrested 4,245 alleged heroin pushers and convicted 470.

The *Office of National Narcotics Intelligence* (ONNI) in the Department of Justice was created to bring together all information regarding production, smugglers, trafficking, and sale of drugs. ONNI brings together intelligence information, coordinates and analyzes the information, and disseminates combined reports to Federal and State and local enforcement agencies for their use.

The *Bureau of Narcotics and Dangerous Drugs* (BNDD) in the Justice Department increased its agents and compliance officers in the United States and overseas from 808 in 1969 to 1,652 in 1973. Its principal activities include the investigation of major drug traffickers; enforcement of Federal antidrug laws; the conduct of research and specialized drug training programs for foreign law enforcement agents; and the provision of technical assistance to Federal, State, and local personnel. BNDD supported foreign governments in seizing 4,342 pounds of hard drugs and 115,000 pounds of marihuana from illicit foreign markets in 1972 compared to 3,173 pounds of hard drugs and 40,000 pounds of marihuana in 1971.

The *Law Enforcement Assistance Administration* (LEAA) in the Department of Justice provides financial support for State and local drug law enforcement efforts.

The *Bureau of Customs* in the Department of the Treasury is responsible for the interdiction of illicit drugs at U.S. borders. Over the past 4 years, Customs has increased its personnel in order to expand its efforts to monitor traffic at points of entry, police borders, and conduct research into drug detection techniques. The Bureau seized 1,077 pounds of hard narcotics and 218,500 pounds of marihuana in 1972.

The *Internal Revenue Service* (IRS), also within the Treasury Department, attacks mid-level and top-ranking traffickers through intensive investigations of incomes and tax returns. An estimated \$10.1 million has been spent on IRS activities in 1972. In 17 months, IRS has assessed \$82.5 million in taxes, collected \$15.8 million in currency and property, and obtained 44 indictments and 20 convictions.

The *Department of State* is responsible for mobilizing the efforts of foreign governments against the overseas production and distribution of narcotics and dangerous drugs, and for coordinating the narcotics programs of all Federal agencies abroad. The *Agency for International Development* (AID) in the Department of State assists other countries in stopping the illicit production, processing, and traffic in narcotics. AID provides equipment, training in narcotics control techniques, and assistance for development of alternative crops or other income-producing activities.

The *Department of Agriculture* supports research projects to develop means of eradicating the opium poppy and develop suitable substitute crops.

The Department of Transportation enforces narcotics laws through the *Federal Aviation Administration* (FAA) and the *Coast Guard*. FAA supports Federal, State, and local authorities in their efforts to combat use of commercial planes in smuggling, and the Coast Guard polices coastal waterways and ports.

DRUG ABUSE PREVENTION PROGRAMS

Drug abuse prevention programs support: the treatment of addicts; activities designed to prevent drug addiction; the education and training of individuals; and research into all medical aspects of drug abuse treatment and rehabilitation.

Total estimated Federal obligations for drug abuse prevention will rise in 1974 to \$528 million. Prevention programs may be subdivided into:

- *Directed programs* specifically earmarked for drug abuse purposes and generally funded directly by a Federal agency.
- *Bloc grant and financing programs* over which the Federal Government exercises minimal direct control, e.g., public assistance and Federal bloc grant programs.

The following table summarizes aggregate Federal obligations for drug abuse prevention programs for selected years from 1969.

Table R-3. OBLIGATIONS FOR DRUG ABUSE PREVENTION PROGRAMS
(in millions of dollars)

	1969	1970	1972	1974
Directed drug abuse prevention programs.....	42.8	58.8	239.3	419.1
Other drug abuse prevention funds.....	3.1	17.6	129.2	108.7
Total, drug abuse prevention.....	45.9	76.4	368.5	527.8

Directed programs.—Obligations for directed drug abuse prevention programs will be \$419 million in 1974.

Federal obligations for *treatment and rehabilitation* activities are estimated to have increased elevenfold between 1969 and 1974. Obligations for these activities will amount to \$274 million in 1974.

Federally funded treatment programs have increased from 16 in January 1969 to more than 400 in November 1972. Not all of these programs have reached full capacity, but there has been a substantial increase in the number of patients in treatment programs rising from 5,100 in January 1969 to more than 20,000 in October 1971, and to an estimated 57,000 in November 1972. These programs are capable of offering treatment to more than 100,000 addicts each year. This is in addition to treatment capacity funded by State, local, and private sources capable of treating more than 100,000 addicts per year. Treatment is offered through a variety of modalities including methadone maintenance, detoxification, half-way houses, and residential and hospital inpatient care.

Preliminary surveys of heroin addicts in treatment indicate that following a doubling of the heroin addict population from 1965 through 1969, the growth of heroin addiction has slowed in the past 2 years.

The following table shows the increase in the number of clients in treatment in methadone maintenance and other modalities over the past 14 months and an estimate for the period through July 1974. An estimated 4,000 to 6,000 clients are treated in programs supported by other Federal funds and are not included in the table.

The National Clearinghouse for Drug Abuse Information in HEW serves as the principal national reference service for accurate and current information on drug abuse for the general public and government agencies.

Training obligations increased more than sixfold between 1970 and 1974. In 1974 these obligations will be \$23 million. Specific training efforts include upgrading the awareness, skills, and technical knowledge of existing medical staffs; training drug abuse clinicians and laboratory technicians; and training ex-addict counsellors.

A National Drug Abuse Training Center has been established to help provide additional manpower for expanded Federal drug abuse prevention programs. The Center is operated on a contractual basis and has a capacity to train 2,500 professionals, paraprofessionals, and planners annually.

Research obligations increased by \$49 million between 1969 and 1974 for a total of \$64 million.

In 1974, *evaluation* activities account for 2% of the directed drug abuse prevention budget. For 1974, obligations for these activities will total \$8 million. Evaluation efforts are designed to provide information and analyses that will permit improved management and increased effectiveness of programs in the drug abuse prevention area.

In 1974, funding for *planning, coordination, and support* is estimated at \$29 million. In both 1973 and 1974, \$15 million will be provided to States for comprehensive State planning and program implementation for drug abuse prevention activities. About two-thirds of these funds may be used to support treatment and other prevention activities at the discretion of the States.

Programs by agency.—Aggregate obligations by agency for drug abuse prevention programs for selected years since 1969 are shown in the following table. Detailed obligations by both program category and agency are shown in a table at the end of this analysis.

Table R-5. DIRECTED DRUG ABUSE PREVENTION OBLIGATIONS BY AGENCY (in millions of dollars)

Agency	1969	1970	1972	1974
Special Action Office.....			1.5	67.2
Health, Education, and Welfare:				
National Institute of Mental Health.....	39.4	45.4	134.7	242.9
Office of Education.....	.2	3.4	13.0	3.0
Social and Rehabilitation Service.....		.2	2.5	2.0
Veterans Administration.....	.6	4.8	17.0	25.5
Defense.....	.1	.1	58.7	70.1
Justice:				
Bureau of Prisons.....	.5	1.1	1.9	4.5
Bureau of Narcotics and Dangerous Drugs.....	1.5	2.0	2.7	2.6
Law Enforcement Assistance Administration.....	.5	1.8	7.3	1.3
Total.....	42.8	58.8	239.3	419.1

The Department of Health, Education, and Welfare, through the *National Institute of Mental Health* (NIMH), supports 140 of the total 402 treatment programs. NIMH also provides direct support and contracts for the treatment of addicts under the Narcotics Addict Rehabilitation Act (NARA).

A significant activity in 1973 and 1974 will be the assessment of ongoing treatment and prevention programs and the transfer to NIMH from other agencies of those programs considered necessary and effective. Emphasis will continue on expanding the service contract mechanism which purchases additional treatment capacity from competent vendors. Under this mechanism, payments are tied directly to services actually delivered. Emphasis will be placed on executing these contracts through the States, so that the States can distribute services according to need.

NIMH training programs include support of individuals, regional drug abuse training centers, and grants to "train and trainers." In research, NIMH supports clinical research, the development of long-acting opiate substitutes, investigations into specific medical aspects of heroin addiction, the development of new chemical and biochemical approaches to treatment of opiate and nonopiate abuse, and studies of the psychosocial aspects of drug abuse in high risk groups.

The *Office of Education* (OE) in HEW provides assistance to schools, colleges, and community oriented education and prevention programs. In addition, OE provides funds to the State education agencies for the drug abuse training of school personnel. In 1974, it will obligate \$3 million for education and training programs.

The *Veterans Administration* (VA) treats drug dependent veterans through its hospital system and through 44 drug treatment centers. VA will obligate \$24 million in both 1973 and 1974 for treatment and rehabilitation.

The *Bureau of Prisons* (BOP), in the Department of Justice, provides treatment services within its institutions, and aftercare through the NARA program. Currently, BOP operates 11 treatment programs. Obligations in 1973 and 1974 are \$3 million and \$4 million, respectively.

The *Law Enforcement Assistance Administration* (LEAA) also in the Department of Justice provides support for varied treatment and education services through grants to communities and is currently funding 25 treatment and 14 education programs through its discretionary funds. In 1974, those LEAA treatment projects which are determined to be necessary and effective will be transferred to NIMH.

Through Treatment Alternatives to Street Crime (TASC), three projects currently in operation can serve 2,000 heroin addicts annually, and in 1974 up to 19 cities may be participating in TASC.

The *Department of Defense* (DOD) provides treatment to drug abusers who are identified through a urine screening process and voluntary participation. Over 60,000 servicemen have sought voluntary exemption under a policy which precludes punitive action for personal use or possession of drugs. DOD is currently operating more than 50 treatment centers in the United States.

The *Special Action Office for Drug Abuse Prevention* (SAO) is the coordinating mechanism for all Federal efforts to combat the demand aspects of drug abuse. SAO makes available funds to Federal agencies to develop innovative programs and approaches.

In addition, the Special Action Office has funds available for specialized research. These funds will be available to implement and evaluate studies of new pharmacological agents in the treatment and prevention of heroin addiction. Approaches will be explored that minimize the need to use synthetic narcotics and reduce the possibility

of diversion of such drugs into illicit channels. Most of these research funds in each year will be spent through delegate agencies and may be used to support treatment programs which are involved in testing newly developed substances. In 1974, SAO will sponsor in-depth evaluations of programs initiated in 1972 and 1973.

Other prevention programs.—In addition to the directed Federal drug programs, Federal funds are available for drug abuse activities through *financing and bloc grant programs*. Generally, the amounts and exact uses of the funds for drug abuse under these programs are left to the discretion of State and local governments. These funds are estimated at \$109 million in 1974.

Table R-6. **DIRECTED DRUG ABUSE PREVENTION PROGRAMS—
ESTIMATED OBLIGATIONS SUMMARY** (in millions of dollars)

Agency	1969	1970	1972	1974
Treatment and rehabilitation:				
Special Action Office.....				40.0
Health, Education, and Welfare:				
National Institute of Mental Health.....	24.1	24.3	79.3	159.4
Social and Rehabilitation Service.....			.8	.6
Veterans Administration.....	.6	4.8	16.0	23.8
Defense.....			40.2	46.0
Justice:				
Bureau of Prisons.....	.5	1.1	1.7	4.2
Law Enforcement Assistance Administration.....	.4	1.3	4.6	-----
Subtotal.....	25.6	31.5	142.6	274.0
Education and Information:				
Health, Education, and Welfare:				
National Institute of Mental Health.....	1.2	4.2	6.5	9.3
Office of Education.....	.2	-----	9.5	-----
Social and Rehabilitation Service.....			.1	-----
Defense.....	.1	.1	10.7	11.1
Justice:				
Law Enforcement Assistance Administration.....		.4	.8	-----
Bureau of Narcotics and Dangerous Drugs.....	.5	1.3	1.2	1.1
Subtotal.....	2.0	6.0	28.8	21.5

Table R-6. DIRECTED DRUG ABUSE PREVENTION PROGRAMS—
ESTIMATED OBLIGATIONS SUMMARY (in millions of dollars)—Continued

Agency	1969	1970	1972	1974
Training:				
Health, Education, and Welfare:				
National Institute of Mental Health.....		0.4	11.3	15.4
Office of Education.....		3.4	2.1	3.0
Social and Rehabilitation Service.....			.4	
Veterans Administration.....			.2	.4
Defense.....			1.6	3.4
Justice: Law Enforcement Assistance Administration.....			.9	1.0
Subtotal.....		3.8	16.5	23.2
Research:				
Special Action Office.....				19.5
Health, Education, and Welfare:				
National Institute of Mental Health.....	14.1	16.5	30.6	34.6
Social and Rehabilitation Service.....		.2	1.1	1.3
Veterans Administration.....			.7	1.0
Defense.....			3.5	5.7
Justice:				
Law Enforcement Assistance Administration.....	.1	.1	.5	.2
Bureau of Narcotics and Dangerous Drugs.....	1.0	.7	1.5	1.5
Subtotal.....	15.2	17.5	37.9	63.8
Evaluation:				
Special Action Office.....			.2	1.0
Health, Education, and Welfare: National Institute of Mental Health.....				
			3.3	4.4
Defense.....			.7	2.0
Justice:				
Bureau of Prisons.....			.1	.1
Law Enforcement Assistance Administration.....			.5	.1
Subtotal.....			4.8	7.6
Planning, direction, and support:				
Special Action Office.....			1.3	6.7
Health, Education, and Welfare:				
National Institute of Mental Health.....			3.7	19.8
Office of Education.....			1.4	
Social and Rehabilitation Service.....			.1	.1
Veterans Administration.....			.1	.3
Defense.....			2.0	1.9
Justice: Bureau of Prisons.....			.1	.2
Subtotal.....			8.7	29.0
Total.....	42.8	58.8	239.3	419.1

Table R-7. DRUG LAW ENFORCEMENT FUNDING (in millions of dollars)

Agency	Law enforcement	Educational/information	Training	Research	Evaluation	Plan/coordination/support	Total
1972 OBLIGATIONS							
Justice:							
Law Enforcement Assistance Administration.....	16.6	-----	-----	3.0	-----	-----	19.6
Bureau of Narcotics and Dangerous Drugs.....	49.5	-----	2.7	1.5	-----	9.6	63.3
State.....	1.0	-----	-----	-----	-----	-----	1.0
Agency for International Development.....	20.7	-----	-----	-----	-----	-----	20.7
Treasury:							
Internal Revenue Service.....	10.1	-----	-----	-----	-----	-----	10.1
Bureau of Customs.....	42.8	-----	-----	.5	0.2	3.4	46.9
Transportation.....	.1	-----	-----	-----	-----	-----	.1
Agriculture.....	-----	-----	-----	2.1	-----	-----	2.1
Total.....	140.8	-----	2.7	7.1	.2	13.0	163.8
1973 OBLIGATIONS							
Justice:							
Law Enforcement Assistance Administration.....	30.3	-----	-----	6.0	-----	-----	36.3
Bureau of Narcotics and Dangerous Drugs.....	57.7	-----	2.8	1.6	-----	8.4	70.5
Drug Abuse Law Enforcement.....	.2	-----	-----	-----	-----	-----	.2
National Narcotic Intelligence.....	2.0	-----	-----	-----	-----	-----	2.0
State.....	1.4	.1	-----	-----	-----	-----	1.5
Agency for International Development.....	42.7	-----	-----	-----	-----	-----	42.7
Treasury:							
Internal Revenue Service.....	18.9	-----	-----	-----	-----	-----	18.9
Bureau of Customs.....	49.0	-----	-----	.8	.2	4.3	54.3
Transportation.....	.1	-----	-----	-----	-----	-----	.1
Agriculture.....	-----	-----	-----	1.8	-----	-----	1.8
Total.....	202.3	.1	2.8	10.2	.2	12.7	228.3
1974 OBLIGATIONS							
Justice:							
Law Enforcement Assistance Administration.....	34.1	-----	-----	10.0	-----	-----	44.1
Bureau of Narcotics and Dangerous Drugs.....	60.0	-----	2.9	2.0	-----	9.2	74.1
Drug Abuse Law Enforcement.....	3.7	-----	-----	-----	-----	-----	3.7
National Narcotic Intelligence.....	3.0	-----	-----	-----	-----	-----	3.0
State.....	1.4	.1	-----	-----	-----	-----	1.5
Agency for International Development.....	42.7	-----	-----	-----	-----	-----	42.7
Treasury:							
Internal Revenue Service.....	19.7	-----	-----	-----	-----	-----	19.7
Bureau of Customs.....	58.1	-----	-----	2.6	.2	5.3	66.2
Transportation.....	.1	-----	-----	-----	-----	-----	.1
Agriculture.....	-----	-----	-----	1.8	-----	-----	1.8
Total.....	222.8	.1	2.9	16.4	.2	14.5	256.9

*Executive Office of the President
Office of Management and Budget*