

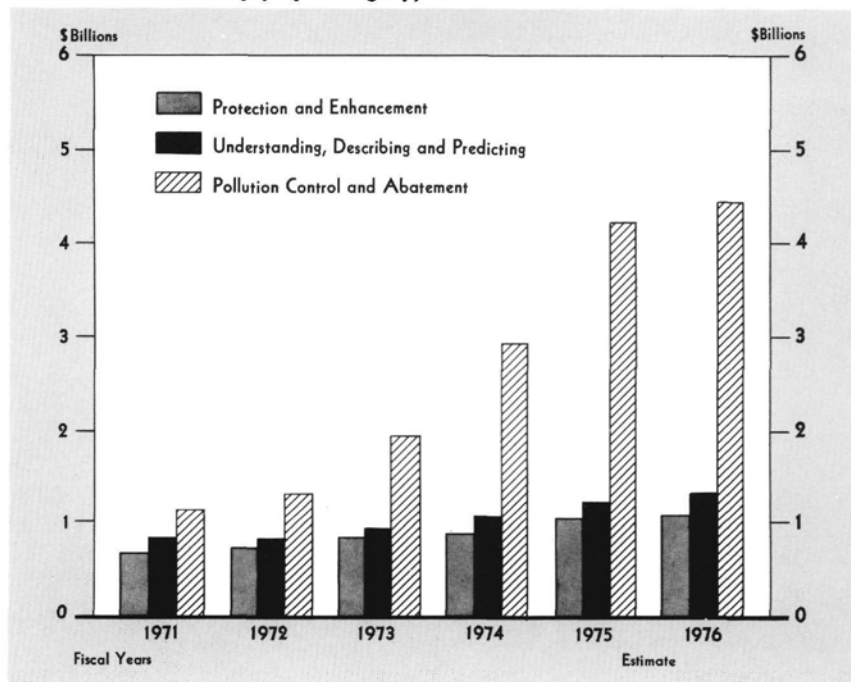


SPECIAL ANALYSES BUDGET OF THE UNITED STATES GOVERNMENT FISCAL YEAR 1976

ERRATUM

Insert missing chart Q-1 on page 268 of Special Analysis Q.

Environmental Outlays, by Category, 1971-1976



SPECIAL ANALYSES BUDGET OF THE UNITED STATES GOVERNMENT FISCAL YEAR 1976

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THE BUDGET DOCUMENTS

Data and analyses relating to the budget for 1976 (and for the 3-month transition period, as applicable) are published in four documents:

The Budget of the United States Government, 1976 contains the information that most users of the budget would normally need, including the Budget Message of the President. The *Budget* presents an overview of the President's budget proposals which includes explanations of spending programs and estimated receipts. This document also contains a description of the budget system and various summary tables on the budget as a whole.

The Budget of the United States Government, 1976—Appendix contains detailed information on the various appropriations and funds which comprise the budget.

The *Appendix* contains more detailed information than any of the other budget documents. It includes for each agency: the proposed text of appropriation language, budget schedules for each account, explanations of the work to be performed and the funds needed, proposed general provisions applicable to the appropriations of entire agencies or groups of agencies, and schedules of permanent positions. Supplemental proposals for the current year and new legislative proposals are identified separately. Information is also provided on certain activities, whose outlays are not part of the budget totals.

Special Analyses, Budget of the United States Government, 1976 contains 17 special analyses that are designed to highlight specified program areas or provide other significant presentations of Federal budget data.

This document includes analytical information about: Government finances and operations as a whole and how they affect the economy; Government-wide program and financial information for Federal education, manpower, health, income security, civil rights, and crime reduction programs; trends and developments in the areas of Federal aid to State and local governments, research and development, and environmental protection.

The United States Budget in Brief, 1976 provides a more concise, less technical overview of the 1976 Budget than the above volumes. Summary and historical tables on the Federal budget and debt are also provided, together with graphic displays.

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.

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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 provides an enumeration of lost revenues due to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from gross income or that provide a special credit, preferential rate of tax, or deferral of tax liability.

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

SPECIAL ANALYSIS A

FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS

The budget is designed to serve several 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 a strong balance-of-payments position.
- It proposes an *allocation of resources* between the private and public sectors, within the public sector, and—through its impact on consumption and investment decisions and the distribution of income—within the private sector.
- It sets forth the *President's request to Congress* for appropriation action on existing or new programs and for changes in tax legislation.
- 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 fully. 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 Federal budget as measured in the national income accounts. The analysis is divided into three major sections. The first shows the size, composition, and trends in Federal sector receipts and expenditures. It contains only a limited discussion of program detail, since this is available—on a unified budget basis—in the budget document and other special analyses. Additional detail on an NIA basis will be published in the February 1975 issue of the *Survey of Current Business*. The second section, which is being added in this special analysis, shows quarterly estimates of Federal sector receipts and expenditures seasonally adjusted at annual rates (see table A-7), and the third section of the analysis explains the major differences between the budget and NIA concepts. For a discussion of fiscal policy, see Part 1 of the budget (the Budget Message) and the Economic Report of the President.

FEDERAL SECTOR RECEIPTS AND EXPENDITURES

Table A-1 shows Federal sector NIA receipts, expenditures, and deficits for 1974-76. The Federal sector deficits in 1975 and 1976 are expected to increase significantly due primarily to (a) the falloff of receipts associated with the slowdown in economic activity; (b) proposed tax changes that will reduce receipts in order to stimulate the economy; (c) automatic increases in spending in response to the higher unemployment rates; and (d) recently enacted increases in spending designed to alleviate the impact of unemployment and to provide additional jobs. Table A-3 shows the impact of the President's tax proposals and associated spending.

Trends in Federal sector receipts.—Table A-1 shows receipts divided into four major categories.

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

Description	1974 actual	1975 estimate	1976 estimate	Change, 1974 to 1976
RECEIPTS				
Personal tax and nontax receipts.....	123.1	122.1	111.1	-12.0
Corporate profits tax accruals.....	45.6	41.0	39.9	-5.7
Indirect business tax and nontax accruals.....	21.6	33.1	54.7	33.1
Contributions for social insurance.....	83.3	91.4	99.4	16.1
Total receipts.....	273.6	287.6	305.1	31.5
EXPENDITURES				
Purchases of goods and services.....	110.3	121.1	136.1	25.8
Defense.....	(75.4)	(80.3)	(90.9)	(15.5)
Nondefense.....	(34.9)	(40.8)	(45.2)	(10.3)
Transfer payments.....	104.2	131.7	147.0	42.8
Domestic ("to persons").....	(101.3)	(128.2)	(143.0)	(41.7)
Foreign.....	(2.9)	(3.5)	(4.0)	(1.1)
Grants-in-aid to State and local governments.....	41.5	47.0	50.8	9.3
Net interest paid.....	17.4	19.8	23.0	5.6
Subsidies less current surplus of Government enterprises.....	4.7	3.7	4.1	-.6
Wage disbursements less accruals.....	.2	.4	-----	-.2
Total expenditures.....	278.3	323.7	361.0	82.7
Surplus or deficit (-).....	-4.7	-36.1	-55.9	-51.2

The largest receipt category—personal tax and nontax receipts—is composed primarily of individual income taxes but also includes estate and gift taxes and some miscellaneous receipts. Increases in income—because of both real growth and inflation—automatically increase these receipts. Since personal income taxes are progressive, these receipts normally grow at a faster rate than personal income. However, tax reductions enacted in the past two decades have offset virtually all the increase in effective tax rates resulting from the progressive tax structure. This is illustrated in the table below, which shows Federal sector receipts at 10-year intervals as a percent of gross national product (GNP). Despite significant income tax reductions over the years, personal taxes were equal to the same percentage of GNP in 1973 as 10 and 20 years earlier.

Table A-2. FEDERAL SECTOR RECEIPTS AS A PERCENT OF GNP

Description	1953	1963	1973
Personal tax and nontax receipts.....	8.7	8.7	8.7
Corporate profits tax accruals.....	5.5	4.1	3.4
Indirect business tax and nontax accruals.....	3.0	2.6	1.7
Contributions for social insurance.....	2.0	3.9	5.9
Total receipts.....	19.3	19.2	19.6

The President's fiscal and energy proposals will significantly alter the composition of Federal sector receipts. The proposals to stimulate the economy will reduce personal and corporate taxes by \$17.8 billion in 1975 and 1976 combined. The proposals to reduce energy consumption will increase indirect business taxes by \$31.2 billion in 1976, but this will be offset by decreases in personal and corporate taxes and by increases in Federal spending.

Table A-3. IMPACT OF THE PRESIDENT'S FISCAL AND ENERGY PROPOSALS IN NIA TERMS

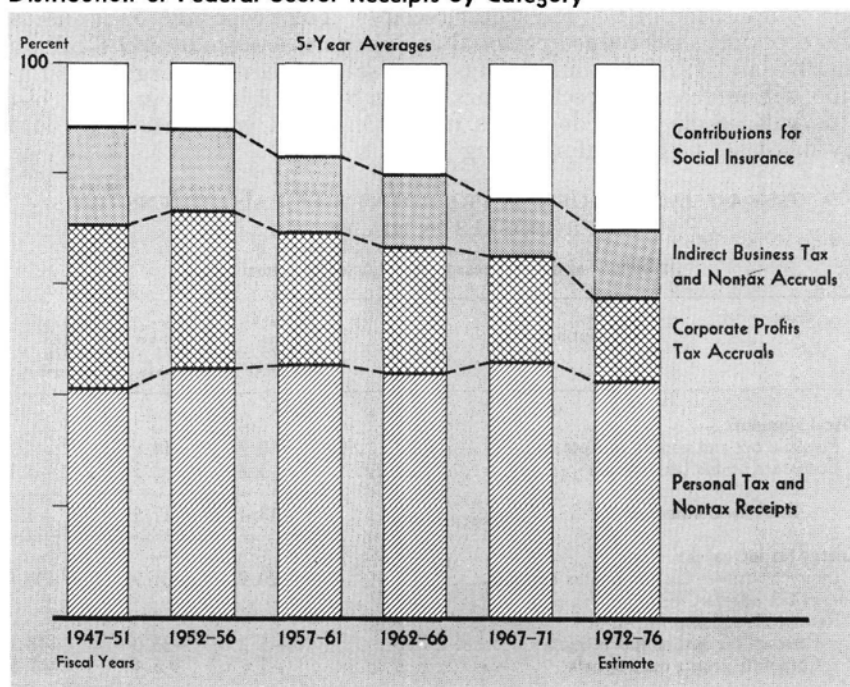
(in billions of dollars; seasonally adjusted at annual rates)

Description	January- June 1975 estimate	July- December 1975 estimate	January- June 1976 estimate
Fiscal stimulus:			
Personal tax and nontax receipts	-10.2	-14.6	-1.2
Corporate profits tax accruals	-3.2	-3.3	-3.1
Total fiscal stimulus	-13.4	-17.9	-4.3
Energy tax increases:			
Indirect business tax and nontax accruals	20.9	31.9	30.6
Energy tax offsets:			
Receipt reductions:			
Personal tax and nontax receipts	-5.2	-33.0	-18.1
Corporate profits tax accruals	-5.6	-6.4	-7.5
Total receipt reductions	-10.8	-39.4	-25.6
Expenditure increases:			
Purchases of goods and services .....	.....	3.0	3.0
Domestic transfer payments .....	.....	2.0	2.0
Grants-in-aid to State and local governments	1.0	2.0	2.0
Total expenditure increases	1.0	7.0	7.0
Recapitulation—total change in:			
Receipts	-3.3	-25.4	0.7
Expenditures	1.0	7.0	7.0
Deficit	-4.3	-32.4	-6.3

This package will result in major permanent increases in indirect business taxes—a significant reversal of the long-term trend. These increases will be largely offset by decreases in personal and corporate profits taxes. An allowance is provided in the budget for additional spending to compensate low-income individuals (who pay no income taxes), Federal agencies, and State and local governments for the impact of higher energy prices on their budgets.

Corporate profits tax accruals—the next major category of receipts to be discussed—are quite variable since corporate profits are among the most variable components of national income. The NIA corporate profits taxes generally differ from the corresponding budget category primarily because: (1) The unified budget shows the deposit of earnings by the Federal Reserve System as miscellaneous receipts whereas in the NIA they are treated as taxes on corporate profits; and (2)

Distribution of Federal Sector Receipts by Category



the unified budget records corporate profits taxes when the cash payments are received, while in the NIA they are recorded when the profits are earned (i.e., accrued). In addition, the proposed windfall profits tax is classified as an indirect business tax in the NIA, whereas the budget classifies this as a part of corporate income taxes.

Corporate profits and tax liabilities reflected in this budget are affected by the recent switch of many corporations from a first-in-first-out basis for inventory accounting to a last-in-first-out basis. The shift substantially reduces recorded inventory profits during inflationary periods and thus reduces corporate profits tax liabilities.

The secular decline in corporate profits tax receipts relative to our GNP and to total receipts shown in the chart above results mainly from three factors: (1) A long-term 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 investment tax credits); and (3) the nearly constant nominal tax rate on taxable corporate profits. The President's proposal will result in a permanent decrease in the corporate profits tax rates. This decrease is designed to stimulate business investment.

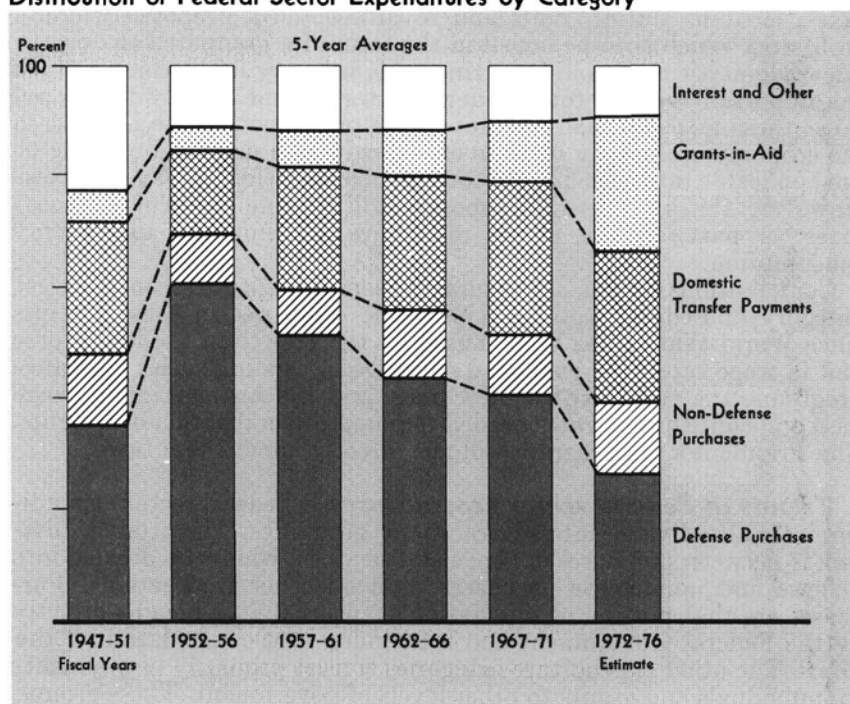
Indirect business tax and nontax accruals are composed of excise taxes, customs duties, rents and royalties, and a proposed windfall profits tax which is to be levied in the form of a graduated tax on the sale of domestic crude oil. Over time, this category has become a much less important part of total Federal sector income. Partly this is because these taxes normally do not rise in proportion to the increase in the economy and partly because of the reduction or repeal of some of the applicable taxes, such as the automobile and telephone excise taxes. However, the President's proposals will double indirect business taxes as part of the effort to reduce oil imports and energy consumption.

Contributions for social insurance constitute the second largest category of Federal sector receipts. The rapid rise in these receipts since World War II has been caused by the growth in the labor force and in wage rates, the expanded coverage of existing social insurance programs, the enactment of new ones, and the higher taxable wage base and contribution rates needed to finance liberalization of benefits. The President's tax program will not directly affect these taxes.

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 (which are divided into defense and nondefense purchases) and all other transactions. Purchases are that portion of the Nation's output that is bought directly by the Federal Government and is included in the calculation of the GNP. The other expenditure categories consist primarily of payments to individuals and grants to other levels of government. These groups, in turn, can use the income to finance their own purchases of goods and services, savings and—in the case of State and local governments—transfers to individuals.

A major shift in the composition of Federal sector expenditures has been underway for years. As the chart on expenditures shows, defense purchases of goods and services have been a declining share of Federal spending ever since the Korean war. There has been a corresponding rise in other components, especially grants-in-aid and domestic transfer payments. While this shift has been underway for two decades, it has accelerated in recent years. In 1973 defense purchases as a percentage of Federal sector expenditures were the lowest they had been since 1940, and the percentage has continued to drop. By 1976 defense purchases will be around 25% of total expenditures; the lowest percentage in the period between World War II and the Vietnam war was in 1950, when they were 30% of the total. In contrast, outlays for domestic transfer payments and grants are expected to be well over half of total Federal sector expenditures this year. Just one decade earlier they were less than one-third of the total.

Distribution of Federal Sector Expenditures by Category



Defense purchases of goods and services.—Over 95% of defense purchases are made by the Department of Defense. The remainder includes programs of military assistance to other countries and purchases by the Energy Research and Development Administration (formerly the Atomic Energy Commission). However, the increase in ERDA spending for development of new domestic energy sources is included in nondefense purchases. Purchases and sales of defense stockpiles are included in defense purchases.

Defense spending for procurement, research and development, pay, and other purposes has faced the same inflationary pressures that have affected the remainder of the economy. However, despite these cost increases, the large reductions in military personnel, other defense-related employment, and other economies have resulted in the current dollar spending on defense purchases being slightly lower in 1974 than 6 years earlier and resulting in holding defense purchases to around the lowest proportion of the GNP since 1950. While the budget anticipates modernization of defense weapons, the bulk of the increase in defense purchases in 1975 and 1976 reflects the impact of inflation. The budget contains an allowance for possible additional spending for both defense and nondefense purchases that will result from the crude oil excise taxes and import fees. A tentative distribution of this allowance between defense and nondefense purchases was made for NIA purposes.

Nondefense purchases of goods and services.—This category covers the goods and services purchased by Federal civilian agencies. These include such programs as operating 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; and operation of veterans hospitals.

Table A-4. **NONDEFENSE PURCHASES OF GOODS AND SERVICES BY AGENCY** (in billions of dollars)

	1973 actual	1974 actual	1975 esti- mate	1976 esti- mate
Department of Agriculture:				
Commodity Credit Corporation.....	-1.3	-0.4	0.6	0.6
Other.....	1.8	2.0	2.3	1.9
Department of Commerce.....	.8	1.0	1.1	1.2
Department of Defense—Civil.....	1.7	1.7	2.0	2.1
Department of Health, Education, and Welfare.....	4.1	4.5	5.7	5.7
Department of Housing and Urban Development.....	2.0	1.9	2.1	2.4
Department of the Interior.....	1.6	1.7	2.1	2.2
Department of Justice.....	1.0	1.1	1.3	1.5
Department of Labor.....	.8	.7	.9	.9
Department of State.....	.5	.6	.8	.9
Department of Transportation.....	2.7	2.7	3.1	3.2
Department of the Treasury:				
Interest paid abroad.....	3.2	4.1	4.1	4.1
Other.....	1.2	2.0	2.7	2.9
General Services Administration.....	.9	1.0	.2	.1
National Aeronautics and Space Administration.....	3.2	3.2	3.2	3.4
Postal Service ¹.....	.4	.7	.6	.8
Veterans Administration.....	3.1	3.4	4.1	4.4
All other ²	3.4	3.0	3.9	6.9
Total.....	31.0	34.9	40.8	45.2

¹ Not included in budget outlays.

² Includes allowances for energy tax equalization payments, civilian agency pay raises, and contingencies.

Table A-4 shows a distribution by agency of nondefense purchases for 1973 through 1976. In 1976, the Department of Health, Education, and Welfare will account for more nondefense purchases that affect GNP than any other agency; these are largely for medical research and for administering grant and transfer programs. Purchases by NASA have dropped substantially in recent years: in 1966 they were one-third of nondefense purchases, but by 1976 they are expected to be around 7½%. The large-scale fluctuations in nondefense purchases by the Agriculture Department are caused primarily by the purchase and sale of commodity inventories. Nondefense purchases by the Department of Defense—Civil and the Department of the Interior are predominantly for water, power, and reclamation programs while the bulk of nondefense purchases by the Veterans Administration is for hospitals and medical care.

Domestic transfer payments.—This is now the largest category of Federal sector expenditures. Spending for domestic transfers has expanded rapidly, mainly because of more 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 around 75% of retirement and disability payments and around half of all domestic transfer payments.

Another large group of domestic transfer payments is for medical care under the hospital and supplementary medical insurance programs (Medicare). These transfers did not exist prior to 1967 but by 1976 they are expected to total \$14.1 billion.

The food stamp program began in 1961 and was relatively small but growing until 1969. By 1972 the program had reached a level of \$1.8 billion and in 1976 it will be \$3.2 billion.

Veterans benefits and insurance have long been a major group of transfer payments. These payments expanded rapidly beginning in 1967, due in part to the war in Vietnam, but also in part to the enactment of the GI bill for post-Korean War veterans. Payments are expected to remain high in 1975 and 1976 because of legislated cost-of-living and other benefit increases, despite a decline in the number of ex-servicemen studying under the GI bill. The budget proposes a \$0.2 billion reduction in readjustment benefits in 1975 and \$0.6 billion in 1976.

The large increase in unemployment benefits in 1975 is due to the automatic response of benefits to higher levels of unemployment supplemented by major liberalization under legislation enacted in December 1974.

Table A-5. DOMESTIC TRANSFER PAYMENTS (in billions of dollars)

Fiscal year	Total	Retirement and disability ¹	Hospital and supplementary medical insurance	Food stamps	Veterans benefits and insurance	Unemployment benefits	Other
1965.....	28.3	20.2	-----	*	4.7	2.5	0.9
1966.....	31.8	23.8	-----	0.1	4.7	2.1	1.1
1967.....	37.3	25.3	3.2	.1	5.3	2.1	1.3
1968.....	42.7	28.0	5.1	.2	5.6	2.2	1.7
1969.....	48.5	32.2	6.3	.2	6.1	2.2	1.6
1970.....	54.8	35.6	6.7	.6	6.9	3.0	2.0
1971.....	67.4	42.4	7.4	1.5	8.0	5.6	2.3
1972.....	75.7	47.9	8.3	1.8	8.8	6.5	2.5
1973.....	86.7	58.5	9.0	2.1	9.7	4.8	2.5
1974.....	101.3	69.1	10.9	2.7	10.4	5.4	2.7
1975 estimate.....	128.2	82.6	13.2	3.3	11.9	13.7	3.5
1976 estimate.....	143.0	91.3	14.1	3.1	11.6	17.2	² 5.7

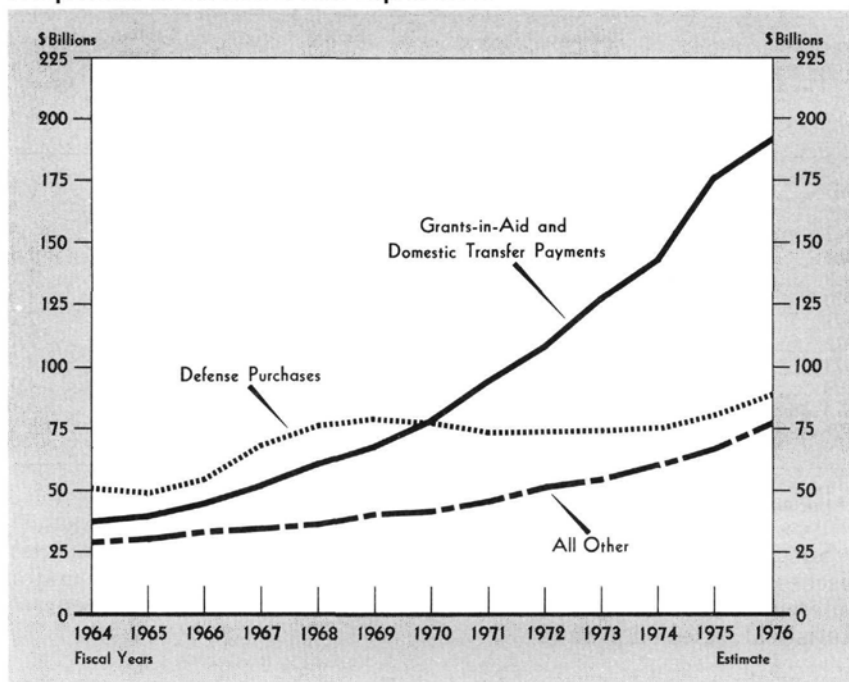
* Less than \$50 million.

¹ Includes black lung benefits, supplemental security income benefits, and military retired pay.

² Includes allowances for energy tax equalization payments in 1976 and contingencies in 1975 and 1976.

Domestic transfer payments and grants-in-aid constitute the great bulk of Federal spending for domestic civilian programs. As the chart below demonstrates, they also account for the bulk of the increase in Federal spending in recent years.

Composition of Federal Sector Expenditures



Grants-in-aid.—These expenditures comprise programs designed to help State and local governments provide general public services or to finance programs for the needy.

Table A-6 shows the major types of grants for the years 1965-76, and table A-11 provides additional detail. General purpose fiscal assistance has been provided in relatively small amounts under several programs for many years, but this became a major category with the introduction of general revenue sharing in 1973. Such grants are generally available for operation of State and local governments, to finance State or local government transfer payments to the public, to retire debt, or to reduce taxes. Most grants included in the income security and health functions are virtually indistinguishable from domestic transfer payments: they finance cash benefits or services for persons under such programs as medicaid. In contrast, most other grants are directed toward State and local government public works—such as highways, mass transit facilities, urban renewal, and pollution control facilities—or else support the operation of State and local public services—such as education, manpower training, social services, and law enforcement.

Table A-6. FEDERAL GRANTS-IN-AID (in billions of dollars)

Fiscal year	Total	Revenue sharing and general purpose fiscal assistance	Income security	Health	Education, manpower, and social services	Transportation ¹	Community and regional development	Other
1965-----	10.9	0.2	3.2	0.7	1.4	4.1	0.6	0.8
1966-----	12.7	.2	3.2	1.3	2.4	4.0	.7	.9
1967-----	14.8	.2	3.2	1.9	3.7	4.1	.8	.9
1968-----	17.8	.3	3.7	2.7	4.5	4.3	1.2	1.1
1969-----	19.2	.2	4.2	3.1	4.5	4.4	1.3	1.3
1970-----	22.6	.3	4.9	3.9	5.2	4.6	2.2	1.5
1971-----	26.8	.3	6.6	4.5	6.1	4.9	2.4	2.0
1972-----	32.6	.4	7.9	6.0	8.2	5.1	2.8	2.2
1973-----	40.2	7.0	7.6	6.2	8.4	5.3	2.9	2.7
1974-----	41.5	6.5	7.1	7.6	8.1	5.3	2.9	4.1
1975 estimate-----	47.0	6.6	6.9	8.8	10.3	5.8	3.1	² 5.6
1976 estimate-----	50.8	8.7	6.9	9.3	9.8	6.4	4.0	² 5.7

¹ Includes a small amount of grants for "commerce."

² Includes allowances for energy tax equalization payments and contingencies.

Special Analysis O (Federal Aid to State and Local Governments) discusses grant-in-aid programs in more detail and explains the major differences between grants as defined in the three principal Federal statistical series on grants.

Other Federal sector expenditures.—Four other categories complete the list of Federal sector expenditures. The largest category—net interest paid—is affected by changes in Federal debt outstanding and in interest rates. Net interest has varied between 6% and 8% of Federal sector expenditures and 1¼% to 1½% for GNP for most years since 1952.

There are three major types of foreign transfer payments: Expenditure of dollars to assist foreign economic development, grants to foreign governments of foreign currencies that are earned from the sale of surplus agricultural products, and payments under social security and similar programs to individuals living abroad. 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: (a) Subsidy payments to resident businesses (including farms); and (b) the "current surplus" or "deficit" of Government enterprises. A subsidy is a monetary grant to a unit engaged in commercial activities. Examples are payments to farmers for land retirement, payments to air carriers, and the operating differential subsidy paid to operators of U.S. flag merchant ships.

Government enterprise is the term applied to certain business-type operations of the Government (usually appearing in the budget as public enterprise revolving funds). The operating costs of Government enterprises are, to a great extent, covered by the sale of goods and services to the public, as distinguished from tax receipts. The difference between the sales and the current operating expenses of a Government enterprise constitutes its surplus or deficit. The largest

of these enterprises are the Commodity Credit Corporation, the Postal Service (which is no longer included in the budget), and the Tennessee Valley Authority.

Wage disbursements less accruals is an adjustment item occasionally made in the NIA to take account of the fact that wages and salaries are not always received at the same time as they are earned. The national income component of GNP is counted on an accrual basis; that is, when the income is earned, rather than when it is received. Personal income, however, including wage and salary disbursements, is regularly estimated on the basis of when the cash is received.

Ordinarily, wage and salary payments disbursed in one period but earned in the preceding period are approximately offset by payments disbursed in the next period but earned in the current period, thus making the adjustment between national income and personal income small or zero. A retroactive pay increase for Federal employees caused this category to be significant in fiscal years 1973, 1974, and 1975.

QUARTERLY ESTIMATES

In the past the Federal budget has provided estimates of receipts and outlays only for fiscal years. Quarterly data have been developed for internal use but have not been published because of the recognized imprecision of the estimates. However, reforms under the Congressional Budget Act of 1974 suggest a congressional need for more detailed budgetary data, and other users have expressed a similar need. In response to the expressed congressional and public needs—and despite the inherent limitations of the data—quarterly NIA receipts and expenditures estimates for the period covered by the budget are being added this year.

The translation of the budget into national income accounts categories is necessarily inexact. The budget itself is a mixture of a *forecast* of what receipts and outlays are expected to be for some items under current law and a Presidential *request* for congressional approval of proposed amounts for others. For this special analysis each budget receipt and outlay is analyzed and translated into NIA categories. Imprecision and possible error are inevitable even when the translation is made using annual data. When these annual estimates are converted into quarterly distributions seasonally adjusted at annual rates, the imprecision is further increased. The data presented in table A-7 are the best available estimates of the quarterly NIA receipts and expenditures consistent with the 1976 budget, but should be used with clear recognition of their limitations.

Table A-7. FEDERAL RECEIPTS AND EXPENDITURES IN THE NATIONAL INCOME ACCOUNTS, QUARTERLY, 1974-76, AND JULY-SEPTEMBER 1976¹ (in billions of dollars; seasonally adjusted at annual rates)

Description	Actual						Estimated						
	July- Sept 1973	Oct- Dec 1973	Jan- Mar 1974	Apr- June 1974	July- Sept 1974	Oct- Dec 1974 ²	Jan- Mar 1975	Apr- June 1975	July- Sept 1975	Oct- Dec 1975	Jan- Mar 1976	Apr- June 1976	July- Sept 1976
RECEIPTS													
Personal tax and nontax receipts.....	116.7	121.6	124.1	129.4	134.8	136.6	130.8	101.1	74.0	107.9	127.3	133.0	140.2
Corporate profits tax accruals.....	43.8	43.5	45.9	49.2	55.4	46.0	31.9	30.5	35.2	40.2	41.3	42.7	43.1
Indirect business tax and nontax accruals.....	21.0	21.3	21.5	21.9	22.5	22.2	31.1	56.4	55.3	54.8	54.5	54.3	54.2
Contributions for social insurance.....	80.2	81.8	86.7	88.1	90.0	90.0	92.8	94.2	95.8	98.9	102.4	104.9	107.3
Total receipts.....	261.8	268.3	278.1	288.6	302.8	294.7	286.6	282.2	260.3	301.8	325.5	334.9	344.8
EXPENDITURES													
Purchases of goods and services.....	105.3	108.4	111.5	114.3	117.2	122.8	122.9	121.8	127.3	132.9	138.9	145.2	151.7
Defense.....	(73.3)	(75.3)	(75.8)	(76.6)	(78.4)	(83.5)	(81.0)	(78.5)	(83.1)	(87.9)	(93.3)	(99.3)	(105.3)
Nondefense.....	(32.0)	(33.1)	(35.7)	(37.7)	(38.7)	(39.3)	(41.9)	(43.3)	(44.2)	(45.0)	(45.6)	(45.9)	(46.4)
Transfer payments.....	96.5	98.8	106.5	113.6	120.8	127.1	137.0	142.3	147.5	147.8	146.8	146.6	154.1
Domestic ("to persons").....	(93.9)	(96.3)	(104.0)	(110.8)	(118.4)	(124.3)	(132.6)	(137.8)	(143.4)	(143.8)	(142.8)	(142.7)	(150.4)
Foreign.....	(2.7)	(2.5)	(2.5)	(2.7)	(2.4)	(2.7)	(4.4)	(4.5)	(4.1)	(4.0)	(4.0)	(3.9)	(3.7)
Grants-in-aid to State and local governments.....	39.8	41.0	42.9	43.2	43.4	45.5	47.7	51.4	49.5	50.7	51.0	52.0	53.2
Net interest paid.....	16.8	17.6	17.9	18.7	19.1	19.7	20.1	20.4	21.5	22.5	23.5	24.5	25.5
Subsidies less current surplus of Government enterprises.....	5.0	4.8	2.2	1.3	2.7	2.3	3.9	4.1	4.1	4.1	4.1	4.1	4.2
Wage disbursements less accruals.....	-----	-----	-----	.6	1.5	-----	-----	-----	-----	-----	-----	-----	-----
Total expenditures.....	263.4	270.6	281.0	291.6	304.7	317.3	331.6	340.0	349.9	358.0	364.3	372.4	388.7
Surplus or deficit (-).....	-1.7	-2.3	-2.8	-3.0	-1.9	-22.6	-45.0	-57.8	-89.6	-56.2	-38.8	-37.5	-43.9

¹ Part 7 of the 1976 budget provides unified budget data for the period July through September 1976. This is the transition period (1 quarter) between fiscal year 1976, which covers the fiscal period July 1975 through June 1976, and fiscal year 1977, which—in accordance with the Congressional Budget Act of 1974—will cover the period October 1976 through September 1977. The final column of this table shows the NIA estimates for this fiscal period.

² Preliminary.

Note: Because of the methods normally used in seasonally adjusting NIA data, the average of the four quarters of a fiscal year seasonally adjusted data may not be equal to the unadjusted fiscal year total.

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

Table A-8 shows the major differences between the budget and the Federal sector of the NIA. These differences are explained below.

Table A-8. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIA (in billions of dollars)

Description	1974 actual	1975 estimate	1976 estimate
RECEIPTS			
Total budget receipts	264.9	278.8	297.5
Government contribution for employee retirement (grossing)....	4.3	5.0	5.4
Other netting and grossing.....	1.9	2.1	2.2
Adjustment to accruals.....	3.1	2.6	1.1
Other.....	-.6	-.8	-1.1
Federal sector, NIA receipts	273.6	287.6	305.1
EXPENDITURES			
Total budget outlays	268.4	313.4	349.4
Lending and financial transactions.....	-2.9	-1.2	-4.2
Government contribution for employee retirement (grossing)....	4.3	5.0	5.4
Other netting and grossing.....	1.9	2.1	2.2
Defense timing adjustment.....	.4	-.3	.3
Bonuses on Outer Continental Shelf land leases.....	6.0	4.2	6.9
Other.....	.2	.5	1.0
Federal sector, NIA expenditures	278.3	323.7	361.0

Lending and financial transactions.—Conceptually, the national income accounts measure the Nation's current income and production, and therefore do not include transactions—such as loans—that are an exchange of assets and liabilities rather than current income or production. Loan transactions have a significant economic impact, affecting income and output, but they are analyzed more appropriately within a different accounting framework. Special Analysis C (Borrowing, Debt, and Investment) and Special Analysis E (Federal Credit Programs) both contain information on the financial market implications of the budget.

Most of the lending and financial transactions shown in table A-8 are shown in Special Analysis E. However, this total differs from the total for direct loans shown in Special Analysis E because: (a) The NIA records nonrecourse agricultural commodity loans as purchases rather than loans; (b) capital contributions to international financial institutions, while not technically loans, are excluded from the NIA and treated as financial transactions; and (c) Special Analysis E also shows credit transactions of Government-sponsored enterprises that are not included in the budget or the NIA and therefore do not require reconciliation.

Government contribution for employee retirement.—The contributions of Government agencies to the retirement trust funds of their employees are not included in the budget totals. While the outlays are

recorded in each agency's budget, they are offset by an intragovernmental deduction. However, the NIA counts Government payments for employee retirement as part of the compensation paid to Government employees and, therefore, as Government expenditures; this treatment maintains comparability with the treatment of employee retirement contributions in the rest of the economy. This category includes contributions by the Postal Service even though the Postal Service is not included in the unified budget. Since the NIA includes the Postal Service as a Government-sponsored enterprise, its contributions affect the current deficit of the enterprise rather than constituting nondefense purchases. In the NIA, the receipt of these retirement contributions is treated as contributions for social insurance. Since receipts and expenditures are increased by equal amounts, this treatment has no effect on the surplus or deficit. Over 75% of these payments go to the civil service retirement fund, while most of the remainder is for Federal employees insured under social security.

Other netting and grossing.—The budget normally counts as receipts only income from taxation or similar sources that arises 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, while outlays (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, while personal income taxes and social insurance contributions are recorded at the time of payment by the individual taxpayer.

The principal timing adjustment to expenditures is for defense purchases. Procurement items (such as missiles or airplanes) purchased under most fixed price contracts are recorded in the Federal sector NIA 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 progress is counted as part of private business inventories until the articles are completed and delivered to the Government. In both the budget and the NIA accounts, public debt interest is recorded when it accrues.

Bonuses on Outer Continental Shelf land leases.—In recent years bonuses paid on the Outer Continental Shelf oil leases have become a significant reconciliation item between the unified budget and the NIA. The budget records these bonuses as proprietary receipts and,

therefore, deducts them from budget outlays. The NIA excludes these transactions as being a transfer of assets because the payments are not included in calculating book profits under current corporate accounting practice.

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 geographical exclusions arising out of transactions with Puerto Rico, the Virgin Islands, and other U.S. territories. Certain nondefense timing adjustments are included here because of the difficulty in separating them from other adjustment categories. This category includes adjustments for certain foreign currency transactions that are not included in the budget and transactions of Federal agencies or activities that are excluded from the budget but included in the Federal sector NIA.

Table A-9. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS, 1965-76 (in billions of dollars)

Description	Actual										Estimate	
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
RECEIPTS												
Personal tax and nontax receipts.....	51.3	57.6	64.5	71.4	90.0	93.6	87.5	100.7	106.8	123.1	122.1	111.1
Corporate profits tax accruals.....	27.7	31.0	31.2	33.7	37.4	33.3	32.3	34.1	41.2	45.6	41.0	39.9
Indirect business tax and nontax accruals.....	16.9	15.7	15.8	17.1	18.6	19.2	20.1	20.0	20.7	21.6	33.1	54.7
Contributions for social insurance.....	24.6	28.5	35.7	38.3	44.4	49.1	52.6	58.5	71.7	83.3	91.4	99.4
Total receipts.....	120.5	132.8	147.2	160.6	190.4	195.2	192.5	213.2	240.4	273.6	287.6	305.1
EXPENDITURES												
Purchases of goods and services.....	64.4	71.7	85.3	94.9	99.4	98.0	95.8	103.2	105.3	110.3	121.1	136.1
Defense.....	(48.9)	(54.4)	(67.7)	(75.9)	(78.0)	(77.0)	(73.1)	(73.6)	(74.2)	(75.4)	(80.3)	(90.9)
Nondefense.....	(15.5)	(17.3)	(17.6)	(18.9)	(21.4)	(21.0)	(22.7)	(29.5)	(31.0)	(34.9)	(40.8)	(45.2)
Transfer payments.....	30.5	34.2	39.4	44.8	50.7	56.8	69.7	78.6	89.4	104.2	131.7	147.0
Domestic ("to persons").....	(28.3)	(31.8)	(37.2)	(42.7)	(48.5)	(54.8)	(67.4)	(75.7)	(86.7)	(101.3)	(128.2)	(143.0)
Foreign.....	(2.2)	(2.3)	(2.2)	(2.1)	(2.2)	(2.0)	(2.3)	(2.8)	(2.7)	(2.9)	(3.5)	(4.0)
Grants-in-aid to State and local governments..	10.9	12.7	14.8	17.8	19.2	22.6	26.8	32.6	40.2	41.5	47.0	50.8
Net interest paid.....	8.5	9.0	9.9	10.9	12.3	14.0	14.3	13.4	14.5	17.4	19.8	23.0
Subsidies less current surplus of Government enterprises.....	4.1	4.5	5.1	4.1	4.1	4.7	5.7	5.3	6.7	4.7	3.7	4.1
Wage disbursements less accruals.....	-----	-----	-----	-----	-----	-.1	.1	-----	-.5	.2	.4	-----
Total expenditures.....	118.5	131.9	154.5	172.5	185.7	195.9	212.4	232.9	255.4	278.3	323.7	361.0
Surplus (+) or deficit (-).....	+2.0	+ .9	-7.3	-11.9	+4.7	-.7	-19.8	-19.7	-15.0	-4.7	-36.1	-55.9

Table A-10. FUNCTIONAL COMPOSITION OF DOMESTIC TRANSFER PAYMENTS (in billions of dollars)

Description	Actual										Estimate	
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
HUMAN RESOURCES PROGRAMS												
Income security:												
Social security (OASDI).....	16.4	19.5	20.5	22.5	25.8	28.7	34.0	38.0	46.6	53.2	61.4	67.7
Railroad retirement.....	1.1	1.2	1.2	1.4	1.5	1.6	1.9	2.1	2.4	2.6	3.0	3.3
Civil service retirement.....	1.4	1.7	2.0	2.1	2.4	2.7	3.2	3.7	4.5	5.6	7.0	7.8
Unemployment benefits.....	2.5	2.1	2.1	2.2	2.2	3.0	5.6	6.5	4.8	5.5	13.8	17.3
Benefits for coal miners.....						*	.3	.4	.9	1.0	.9	.9
Supplemental security income.....										1.9	4.2	4.9
Food stamps.....	*	.1	.1	.2	.2	.6	1.5	1.8	2.1	2.7	3.4	3.2
Other.....	.1	.1	*	.1	.1	.1	.1	.2	.2	.2	.2	.2
Total.....	21.5	24.6	25.9	28.6	32.3	36.7	46.6	52.7	61.5	72.7	93.9	105.4
Health:												
Medicare.....			3.2	5.1	6.3	6.7	7.4	8.3	9.0	10.9	13.1	14.1
Other.....	.3	.3	.3	.3	.3	.4	.4	.4	.5	.4	.5	.4
Total.....	.3	.3	3.5	5.4	6.6	7.1	7.9	8.8	9.4	11.3	13.6	14.5
Education, manpower, and social services:												
Education.....	.1	.2	.4	.7	.7	.9	.9	.9	1.0	1.0	1.7	1.9
Manpower ¹.....	.1	.2	.1	.1	.1	.2	.4	.6	.5	.6	.8	.8
Total.....	.2	.4	.5	.8	.8	1.0	1.3	1.5	1.5	1.6	2.4	2.7
Veterans benefits and services.....	4.7	4.8	5.3	5.4	6.1	6.9	8.0	8.8	9.7	10.4	11.9	11.6
Total human resources programs.....	26.7	30.0	35.2	40.4	45.9	51.7	63.8	71.7	82.2	96.0	121.8	134.2

See footnotes at end of table.

TABLE A-10. FUNCTIONAL COMPOSITION OF DOMESTIC TRANSFER PAYMENTS (in billions of dollars)—Continued

Description	Actual										Estimate	
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
ALL OTHER FUNCTIONS												
National defense (military retired pay).....	1.2	1.4	1.6	1.8	2.1	2.5	3.0	3.5	4.0	4.7	5.7	6.3
All other functions (includes allowance for energy tax equalization payments and con- tingencies).....	.4	.4	.4	.5	.5	.6	.6	.6	.6	.6	.7	2.5
Total functions not included in human resources grouping.....	1.6	1.8	2.0	2.3	2.6	3.1	3.6	4.0	4.5	5.3	6.4	8.8
Total domestic transfer payments.....	28.3	31.8	37.2	42.7	48.5	54.8	67.4	75.7	86.7	101.3	128.2	143.0

*Less than \$50 million.

† Includes a relatively small amount classified as social services.

Table A-11. FUNCTIONAL COMPOSITION OF FEDERAL GRANTS-IN-AID (in billions of dollars)

Description	Actual										Estimate	
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
HUMAN RESOURCES PROGRAMS												
Income security:												
Public assistance cash benefits.....	2.8	2.8	2.7	3.2	3.6	4.1	5.5	6.6	5.9	5.4	4.7	4.6
Child nutrition and related programs.....	.2	.2	.2	.2	.3	.4	.6	.9	1.1	1.2	1.6	1.6
Administration of unemployment benefits....	.2	.2	.2	.2	.3	.3	.4	.4	.5	.4	.5	.4
Other.....				.1	.1	.1	.1	.1	.1	.1	.1	.1
Total.....	3.2	3.2	3.2	3.7	4.2	4.9	6.6	7.9	7.6	7.1	6.9	6.9
Health:												
Medicaid.....	.3	.8	1.2	1.8	2.3	2.7	3.4	4.6	4.6	5.8	6.6	7.1
Other (includes research, construction, serv- ices, and medical training).....	.4	.5	.7	.9	.8	1.2	1.1	1.4	1.6	1.8	2.2	2.2
Total.....	.7	1.3	1.9	2.7	3.1	3.9	4.5	6.0	6.2	7.6	8.8	9.3
Education, manpower, and social services:												
Education.....	1.0	1.9	2.8	3.3	3.2	3.6	3.9	4.1	4.1	3.9	4.3	4.2
Manpower.....	.2	.3	.3	.5	.5	.5	.8	1.6	1.9	2.0	3.2	3.2
Social services.....	.2	.3	.6	.7	.9	1.1	1.4	2.6	2.3	2.2	2.8	2.4
Total.....	1.4	2.4	3.7	4.5	4.5	5.2	6.1	8.2	8.4	8.1	10.3	9.8
Veterans benefits and services.....	*	*	*	*	*	*	*	*	*	*	*	.1
Total human resources programs.....	5.3	6.9	8.8	10.9	11.9	14.0	17.2	22.2	22.2	22.8	26.0	26.0

See footnote at end of table.

Table A-11. FUNCTIONAL COMPOSITION OF FEDERAL GRANTS-IN-AID (in billions of dollars)—Continued

Description	Actual										Estimate	
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
ALL OTHER FUNCTIONS												
Natural resources, environment, and energy:												
Environment.....	.1	.1	.1	.2	.2	.2	.5	.5	.7	1.6	2.4	2.5
Other.....	.1	.1	.1	.1	.2	.2	.2	.3	.3	.5	.6	.6
Total.....	.1	.2	.2	.3	.4	.4	.8	.8	1.1	2.1	3.0	3.1
Community and regional development:												
Urban renewal.....	.3	.3	.4	.5	.5	1.0	1.0	1.2	1.0	1.2	1.2	1.2
Other HUD grants.....	*	*	.1	.1	.2	.3	.5	.7	.9	.8	.9	1.8
Area and regional development.....	.3	.1	.1	.2	.3	.3	.4	.4	.5	.5	.6	.6
Other.....	.1	.3	.3	.4	.3	.5	.4	.4	.5	.4	.5	.4
Total.....	.6	.7	.8	1.2	1.3	2.2	2.4	2.8	2.9	2.9	3.1	4.0
Commerce and transportation:												
Highways (including safety).....	4.0	3.9	4.0	4.2	4.2	4.4	4.6	4.7	4.7	4.5	4.6	4.8
Urban mass transit.....				*	.1	.1	.2	.3	.4	.5	.9	1.2
Other (mainly airport construction).....	.1	.1	.1	.1	.1	.1	.1	.1	.2	.2	.3	.4
Total.....	4.1	4.0	4.1	4.3	4.4	4.6	4.9	5.1	5.3	5.3	5.8	6.4

General science, space, and technology (mainly research grants)-----	.5	.5	.5	.6	.6	.7	.6	.6	.6	.7	.7	.7
Law enforcement and justice-----		*	*	*	*	*	.2	.3	.5	.7	.7	.8
Revenue sharing and general purpose fiscal assistance:												
General revenue sharing-----									6.6	6.1	6.2	6.3
Other (includes allowance for energy tax equalization payments)-----	.2	.2	.2	.3	.2	.3	.3	.4	.4	.4	.4	2.4
Total-----	.2	.2	.2	.3	.2	.3	.3	.4	7.0	6.5	6.6	8.7
All other functions (includes allowance for contingencies)-----	.2	.2	.3	.3	.3	.4	.4	.4	.5	.5	1.1	1.1
Total, functions not included in human resources grouping-----	5.7	5.8	6.0	6.9	7.3	8.6	9.6	10.4	18.0	18.7	21.0	24.8
Total grants-in-aid-----	10.9	12.7	14.8	17.8	19.2	22.6	26.8	32.6	40.2	41.5	47.0	50.8

* Less than \$50 million.

SPECIAL ANALYSIS B

FUNDS IN THE BUDGET

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

DISTRIBUTION OF TOTALS, BY FUND GROUPS

Table B-1 shows the distribution 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	1974 actual	1975 estimate	1976 estimate
RECEIPTS			
Federal funds:			
Total in fund accounts	192,855	196,975	213,039
Intrafund transactions	-1,152	-1,318	-1,256
Proprietary receipts from the public	-10,278	-9,307	-12,019
Receipts from off-budget Federal agencies	-205	-383	-486
Receipts, Federal funds	181,219	185,966	199,278
Trust funds:			
Total in fund accounts	110,395	125,499	133,866
Intrafund transactions	-952	-999	-1,052
Proprietary receipts from the public	-3,954	-4,708	-5,525
Receipts from off-budget Federal agencies	-642	-1,110	-779
Receipts, trust funds	104,846	118,681	126,510
Interfund transactions	-21,133	-25,897	-28,268
Total budget receipts	264,932	278,750	297,520
OUTLAYS			
Federal funds:			
Total in fund accounts	210,328	240,014	267,976
Intrafund transactions	-1,152	-1,318	-1,256
Proprietary receipts from the public	-10,278	-9,307	-12,019
Receipts from off-budget Federal agencies	-205	-383	-486
Outlays, Federal funds	198,692	229,005	254,215
Trust funds:			
Total in fund accounts	96,382	117,155	130,781
Intrafund transactions	-952	-999	-1,052
Proprietary receipts from the public	-3,954	-4,708	-5,525
Receipts from off-budget Federal agencies	-642	-1,110	-779
Outlays, trust funds	90,833	110,338	123,425
Interfund transactions	-21,133	-25,897	-28,268
Total budget outlays	268,392	313,446	349,372
Budget deficit	-3,460	-34,696	-51,852

FEDERAL FUNDS

The Federal funds are derived mainly from taxes and borrowing. Most of these funds are not restricted by law to any specific governmental purpose. 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 millions of dollars)

Description	1974 actual	1975 estimate	1976 estimate
RECEIPTS BY SOURCE			
Individual income taxes.....	118,952	117,700	106,300
Corporation income taxes.....	38,620	38,500	47,700
Excise taxes.....	9,743	13,168	25,166
Estate and gift taxes.....	5,035	4,800	4,600
Customs duties.....	3,334	3,910	4,300
Miscellaneous receipts.....	5,535	7,888	11,212
Total receipts Federal funds.....	181,219	185,966	199,278
OUTLAYS BY AGENCY			
Legislative branch.....	623	741	879
The Judiciary.....	204	307	341
Executive Office of the President.....	66	109	76
Funds appropriated to the President:			
Foreign assistance.....	3,367	4,267	4,804
Other.....	456	619	1,606
Agriculture.....	9,772	8,763	9,650
Commerce.....	1,462	1,646	1,799
Defense—Military ¹	77,643	83,464	90,776
Defense—Civil.....	1,670	1,911	1,990
Health, Education, and Welfare.....	30,476	35,866	37,344
Housing and Urban Development.....	4,786	5,517	7,055
Interior.....	1,736	2,203	2,452
Justice.....	1,797	2,061	2,221
Labor.....	2,857	7,861	8,613
State.....	732	859	932
Transportation.....	2,985	3,871	3,867
Treasury.....	36,096	39,840	43,656
Energy Research and Development Administration.....	2,308	3,090	3,815
Environmental Protection Agency.....	2,030	2,937	3,080
General Services Administration.....	—275	—1,008	—475
National Aeronautics and Space Administration.....	3,253	3,205	3,496
Veterans Administration.....	13,151	15,191	15,329
Other independent agencies.....	8,245	9,984	10,859
Undistributed offsetting receipts:			
Rents and royalties on the Outer Continental Shelf.....	—6,748	—5,000	—8,000
Allowances ²	—	700	8,050
Total outlays Federal funds.....	198,692	229,005	254,215
Excess of outlays (—).....	—17,473	—43,039	—54,937

¹ Includes allowances for civilian and military pay raises for Department of Defense.

² Includes allowances for energy tax equalization payments, civilian agency pay raises, and contingencies.

Receipts and outlays.—The receipts of the general and special funds in 1976 are estimated at \$199.3 billion. Outlays of all the Federal funds are estimated at \$254.2 billion. The distribution of receipts by source, and outlays by agency, is shown in table B-2. The proprietary

receipts of the general fund and special funds, the Federal intrafund receipts and the receipts of the public enterprise and intragovernmental funds, have all been offset in arriving at the outlays for each agency.

Obligations.—The obligations (net) for Federal funds are estimated at \$296.7 billion for 1976, as set forth in table B-3. These transactions largely flow from the budget authority of \$387.8 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	1974 actual	1975 estimate	1976 estimate
Legislative branch.....	622	768	871
The Judiciary.....	205	304	345
Executive Office of the President.....	72	76	68
Funds appropriated to the President:			
International security assistance.....	3,110	1,458	1,674
International development assistance.....	1,468	2,585	1,367
Other.....	1,157	731	8,503
Agriculture.....	9,050	9,029	9,454
Commerce.....	1,540	1,685	1,766
Defense—Military ¹	79,331	91,428	101,118
Defense—Civil.....	1,941	1,786	2,058
Health, Education, and Welfare.....	32,619	36,737	36,727
Housing and Urban Development.....	4,070	33,634	30,935
Interior.....	1,839	2,411	2,570
Justice.....	1,866	2,179	2,133
Labor.....	2,814	8,463	7,673
State.....	724	878	962
Transportation.....	3,191	4,561	4,738
Treasury.....	36,158	39,867	43,722
Energy Research and Development Administration.....	2,618	3,901	4,219
Environmental Protection Agency.....	3,185	5,008	5,965
General Services Administration.....	-319	-1,054	-401
National Aeronautics and Space Administration.....	3,073	3,571	3,629
Veterans Administration.....	13,467	15,296	15,592
Civil Service Commission.....	2,628	3,805	4,540
Federal Home Loan Bank Board.....	-344	-302	-302
Postal Service.....	1,698	1,831	1,490
Railroad Retirement Board.....	22	4	305
Other independent agencies.....	4,306	4,200	4,640
Undistributed offsetting receipts:			
Rents and royalties on the Outer Continental Shelf.....	-6,748	-5,000	-8,000
Allowances ²		750	8,325
Total.....	205,365	270,589	296,684

¹ Includes allowances for civilian and military pay raises for Department of Defense.

² Includes allowances for energy tax equalization payments, civilian agency pay raises, and contingencies.

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 1974		End 1974		End 1975		End 1976	
	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated
Legislative branch.....	71	186	68	203	95	162	86	104
The Judiciary.....	19	*	22	*	19	*	23	---
Executive Office of the President.....	42	2	47	*	15	---	6	---
Funds appropriated to the President:								
International security assistance.....	1,991	11	3,395	5	2,932	---	2,365	---
International development assistance.....	4,520	8,871	4,506	10,644	5,066	10,083	4,404	10,161
Other.....	1,442	80	1,871	244	1,448	251	7,551	241
Agriculture.....	5,185	3,106	4,467	6,974	4,723	11,582	4,527	13,870
Commerce.....	1,659	351	1,759	310	1,799	283	1,766	299
Defense—Military ¹	26,933	12,643	28,566	15,093	36,558	10,194	46,913	11,253
Defense—Civil.....	527	380	798	203	672	162	740	45
Health, Education, and Welfare.....	12,227	1,698	13,893	1,702	14,752	696	14,135	920
Housing and Urban Development.....	85,222	32,449	84,508	36,791	112,628	45,092	136,508	18,777
Interior.....	1,173	648	1,278	639	1,486	1,919	1,603	1,567
Justice.....	1,150	103	1,216	154	1,334	74	1,245	53
Labor.....	1,696	485	1,585	756	2,178	4,398	1,238	201
State.....	126	40	114	74	126	31	156	5
Transportation.....	1,959	1,724	2,160	4,092	2,851	11,583	3,721	9,739
Treasury.....	209	41	271	55	298	36	363	30
Energy Research and Development Administration.....	1,143	501	1,452	358	2,263	36	2,667	36
Environmental Protection Agency.....	4,355	5,467	5,510	8,134	7,582	7,341	10,466	2,119
General Services Administration.....	423	378	380	10	334	130	409	122
National Aeronautics and Space Administration.....	1,090	516	916	479	1,282	137	1,415	46
Veterans Administration.....	1,101	1,898	1,429	1,940	1,534	2,097	1,797	2,114
Civil Service Commission.....	18	5	10	6	11	5	11	4
Federal Deposit Insurance Corporation.....	---	3,000	---	3,000	---	3,000	---	3,000
Federal Home Loan Bank Board.....	-27	7,854	*	8,196	4	10,478	20	8,781
Postal Service.....	1,940	9,498	---	---	---	---	---	---
Other independent agencies	3,177	4,651	3,214	3,410	2,763	2,941	2,562	7,264
Allowances ²	---	---	---	---	50	---	325	---
Total.....	159,371	96,587	163,435	103,476	204,802	122,712	247,023	90,752

¹ Includes balances of allowances for civilian and military pay raises for Department of Defense.² Includes balances of allowances for civilian agency pay raises and contingencies.

* Less than \$500 thousand.

PUBLIC ENTERPRISE FUNDS

The public enterprise funds are a subgroup of Federal funds. They 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. Data on public enterprise funds are included on a net outlay basis in tables B-2 through B-4. Gross amounts are shown in table B-5.

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

Description	Applicable receipts			Gross outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Funds appropriated to the President:						
Foreign assistance.....	326	777	607	572	723	556
Other.....	195	-----	-----	40	2	2
Agriculture:						
Commodity Credit Corporation ¹	4,379	3,193	4,019	5,570	4,524	4,317
Farmers Home Administration.....	3,729	7,629	5,661	5,257	5,916	5,992
Federal Crop Insurance Corporation....	48	55	56	34	75	61
Commerce.....	60	70	76	20	33	33
Defense:						
Military.....	65	6	6	46	54	8
Civil (Panama Canal Company).....	216	262	281	216	264	281
Health, Education, and Welfare.....	80	149	162	202	321	409
Housing and Urban Development:						
Government National Mortgage Association.....	2,303	5,648	7,221	2,250	5,805	7,507
Urban renewal fund.....	946	871	570	2,072	2,121	1,820
Low-rent public housing fund.....	609	682	658	621	682	658
Federal Housing Administration.....	1,203	1,395	1,550	2,066	2,187	2,280
Other.....	81	92	96	130	219	450
Interior.....	55	302	397	129	364	450
Transportation.....	30	43	42	446	844	1,121
Treasury.....	1	2	2	*	1	1
Environmental Protection Agency.....	1	*	*	1	1	1
General Services Administration.....	3	3	3	2	2	2
Veterans Administration.....	788	1,180	997	721	950	940
Other independent agencies:						
Emergency Loan Guarantee Board....	5	6	7	*	1	*
Farm Credit Administration.....	6	7	7	6	7	7
Federal Home Loan Bank Board:						
Federal Savings and Loan Insurance Corporation.....	382	411	440	5	112	120
Revolving fund.....	32	2,535	37	36	2,525	37
National Credit Union Administration.....	25	29	34	13	20	18
Small Business Administration.....	447	568	601	1,179	941	912
Tennessee Valley Authority.....	937	1,287	1,756	1,338	2,087	2,487
Total.....	16,953	27,200	25,286	22,971	30,799	30,468
Receipts from the public.....	(15,123)	(24,631)	(21,970)			
Receipts from other accounts.....	(1,829)	(2,569)	(3,316)			

¹ Receipts include advances from foreign assistance and special export programs of \$554 million in 1974, \$778 million in 1975, and \$1,336 million in 1976.

*Less than \$500 thousand.

Receipts and outlays.—Receipts of public enterprise funds are estimated at \$25.3 billion in 1976, and gross outlays are planned to total \$30.5 billion, resulting in net outlays of \$5.2 billion.

TRUST FUNDS

The trust funds are collected and used for specific purposes; in this sense, they are administered in a fiduciary capacity by the Government. They include 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 \$126.5 billion in 1976, with outlays planned at \$123.4 billion, as shown in table B-6. The transactions of the Federal old-age and survivors and disability insurance funds are far larger than any other trust fund.

Table B-6. OUTLAYS AND RECEIPTS OF TRUST FUNDS
(in millions of dollars)

Description	Outlays			Receipts		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Federal old-age and survivors and disability insurance trust funds.....	55,867	64,491	71,108	57,703	66,093	70,188
Health insurance trust funds.....	11,348	13,903	14,990	15,419	16,777	18,573
State and local government fiscal assistance trust fund.....	6,106	6,176	6,301	6,055	6,205	6,355
Unemployment trust fund.....	6,149	13,000	15,900	7,483	9,782	9,760
Railroad employees retirement funds..	2,675	3,026	3,267	2,619	2,810	3,232
Federal employees retirement funds....	5,709	7,260	8,039	9,032	11,143	11,908
Airport and airway trust funds.....	521	626	1,126	868	1,034	1,134
Highway trust funds.....	4,599	4,670	5,002	6,675	6,416	6,664
Foreign military sales trust fund.....	2,675	3,613	4,869	3,167	3,892	4,669
Veterans life insurance funds.....	701	761	772	847	870	912
Other trust funds (nonrevolving).....	531	472	497	526	478	470
Trust revolving funds.....	-499	-842	-1,091	-----	-----	-----
Subtotal.....	96,382	117,155	130,781	110,395	125,499	133,866
Intrafund transactions.....	-952	-999	-1,052	-952	-999	-1,052
Proprietary receipts from the public....	-3,954	-4,708	-5,525	-3,954	-4,708	-5,525
Receipts from off-budget Federal agencies.....	-642	-1,110	-779	-642	-1,110	-779
Total.....	90,833	110,338	123,425	104,846	118,681	126,510

In fiscal years 1974-1976, this group of funds has excesses of receipts of the following amounts (in millions of dollars):

	1974 actual	1975 estimate	1976 estimate
Total receipts, trust funds.....	104,846	118,681	126,510
Total outlays, trust funds.....	90,833	110,338	123,425
Excess of receipts, trust funds.....	14,013	8,343	3,085

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

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

[Amounts under proposed legislation are shown separately]

Description	1974 actual	1975 estimate	1976 estimate
Federal old-age, survivors, and disability insurance trust funds:			
Social insurance taxes and contributions.....	53,925	61,877	65,855
Interest on Federal securities.....	2,518	2,806	2,728
Federal payment as employer for employee retirement.....	764	916	973
Other (mainly receipts of special Federal payments).....	496	494	515
Proposed legislation.....	-----	-----	117
Subtotal Federal old-age, survivors, and disability insurance trust funds.....	57,703	66,093	70,188
Health insurance trust funds:			
Social insurance taxes and contributions.....	12,260	13,035	13,888
Interest on Federal securities.....	483	712	874
Federal payment as employer for employee retirement.....	147	166	176
Other (mainly receipts of special Federal payments).....	2,529	2,855	3,615
Proposed legislation.....	-----	9	20
Subtotal Health insurance trust funds.....	15,419	16,777	18,573
State and local government fiscal assistance trust fund:			
Deposits for General Revenue Sharing.....	6,055	6,205	6,355
Unemployment trust fund:			
Social insurance taxes and contributions.....	6,828	7,654	7,989
Interest on Federal securities.....	650	727	470
Other receipts.....	5	1	1
Supplemental now requested.....	-----	1,400	1,300
Subtotal Unemployment trust fund.....	7,483	9,782	9,760
Railroad employees retirement funds:			
Social insurance taxes and contributions.....	1,411	1,546	1,642
Interest on Federal securities.....	257	285	301
Receipts from other trust funds.....	931	980	1,045
Other (mainly receipts of special Federal payments).....	20	-1	244
Subtotal Railroad employees retirement funds.....	2,619	2,810	3,232
Federal employees retirement funds:			
Social insurance taxes and contributions.....	2,346	2,512	2,686
Interest on Federal securities.....	1,842	2,134	2,388
Federal payment as employer for employee retirement (including payment on prior year liabilities):			
Agencies included in budget.....	4,188	4,985	6,145
Agencies excluded from budget.....	642	1,110	793
Other receipts.....	15	22	7
Proposed legislation.....	-----	-----	-110
Supplemental now requested.....	-----	381	-----
Subtotal Federal employees retirement funds.....	9,032	11,143	11,908
Airport and airway trust fund:			
Excise taxes.....	840	940	990
Interest on Federal securities.....	28	94	126
Proposed legislation.....	-----	-----	17
Subtotal Airport and airway trust fund.....	868	1,034	1,134

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

[Amounts under proposed legislation are shown separately]

Description	1974 actual	1975 estimate	1976 estimate
Highway trust funds:			
Excise taxes.....	6,260	5,839	5,972
Interest on Federal securities.....	415	577	692
Other receipts.....	*		
Subtotal Highway trust funds.....	6,675	6,416	6,664
Foreign military sales trust fund.....	3,167	3,892	4,669
Veterans life insurance trust funds:			
Interest on Federal securities.....	369	399	419
Other receipts.....	478	471	493
Subtotal Veterans life insurance trust funds.....	847	870	912
Other trust funds (nonrevolving).....	526	478	470
Subtotal.....	110,395	125,499	133,866
Intrafund transactions.....	-952	-999	-1,052
Proprietary receipts from the public.....	-3,954	-4,708	-5,525
Receipts from off-budget Federal agencies.....	-642	-1,110	-779
Total receipts.....	104,846	118,681	126,510

*Less than \$500 thousand.

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	1974 actual	1975 estimate	1976 estimate
Federal old-age, survivors, and disability insurance trust funds:			
Benefit payments.....	54,007	62,354	71,947
Payments to other trust funds.....	931	980	1,045
Administrative expenses and other.....	929	1,217	1,310
Proposed legislation.....		-60	-3,194
Subtotal Federal old-age, survivors, and disability insurance trust funds.....	55,867	64,491	71,108
Health insurance trust funds:			
Benefit payments.....	10,680	13,452	15,525
Administrative expenses and other.....	668	706	844
Proposed legislation.....		-255	-1,379
Subtotal Health insurance trust funds.....	11,348	13,903	14,990
State and local government fiscal assistance trust fund:			
Payments for General Revenue Sharing.....	6,106	6,176	6,301

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

[Amounts under proposed legislation are shown separately]—Continued

Description	1974 actual	1975 estimate	1976 estimate
Unemployment trust fund:			
Withdrawals for benefit payments.....	5,189	10,362	13,440
Repayment of advances to the general fund.....	50	-----	-----
Administrative expenses and other.....	909	1,238	1,160
Supplemental now requested.....	-----	1,400	1,300
Subtotal Unemployment trust fund.....	6,149	13,000	15,900
Railroad employees retirement funds:			
Benefit payments and claims.....	2,649	2,999	3,354
Administrative expenses and other.....	27	25	29
Proposed legislation.....	-----	-----	-116
Supplemental now requested.....	-----	2	-----
Subtotal Railroad employees retirement funds.....	2,675	3,026	3,267
Federal employees retirement:			
Benefit payments and claims.....	5,489	6,917	8,504
Refunds to former employees.....	218	329	292
Administrative expenses and other.....	2	14	15
Proposed legislation.....	-----	-----	-773
Subtotal Federal employees retirement.....	5,709	7,260	8,039
Airport and airway trust fund:			
Current programs.....	521	626	695
Proposed legislation.....	-----	-----	431
Subtotal Airport and airway trust fund.....	521	626	1,126
Highway trust funds:			
Current programs (mainly grants to States).....	4,599	4,670	5,003
Proposed legislation.....	-----	*	*
Subtotal Highway trust funds.....	4,599	4,670	5,002
Foreign military sales trust fund.....	2,675	3,613	4,869
Veterans life insurance trust funds.....	701	761	772
Other trust funds (nonrevolving).....	531	472	497
Trust revolving funds.....	-499	-842	-1,091
Subtotal.....	96,382	117,155	130,781
Intrafund transactions.....	-952	-999	-1,052
Proprietary receipts from the public.....	-3,954	-4,708	-5,525
Receipts from off-budget Federal agencies.....	-642	-1,110	-779
Total outlays.....	90,833	110,338	123,425

*Less than \$500 thousand.

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):

	1973 actual	1974 actual	1975 esti- mate	1976 esti- mate
Open book balances.....	5,937	5,018	4,798	4,436
Investments in U.S. securities:				
Public debt.....	113,865	128,795	137,353	140,800
Agency debt.....	1,340	1,340	1,340	1,340
Total.....	<u>121,142</u>	<u>135,153</u>	<u>143,491</u>	<u>146,576</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			
	1973 actual	1974 actual	1975 estimate	1976 estimate
Federal old-age, survivors, and disability insurance trust funds.....	44,300	46,136	47,738	46,818
Health insurance trust funds.....	5,114	9,186	12,059	15,643
State and local government fiscal assistance trust fund.....	1,658	1,607	1,636	1,690
Unemployment trust fund.....	11,099	12,428	9,210	3,070
Railroad retirement accounts.....	4,631	4,581	4,364	4,329
Federal employees retirement funds.....	31,157	34,480	38,363	42,232
Airport and airway trust fund.....	1,187	1,534	1,942	1,950
Highway trust funds.....	5,591	7,667	9,413	11,075
Foreign military sales trust fund.....	710	1,202	1,481	1,281
Veterans life insurance funds.....	7,448	7,594	7,704	7,843
Other trust funds (nonrevolving).....	678	671	672	645
Trust revolving funds.....	7,567	8,066	8,908	10,000
Total.....	<u>121,142</u>	<u>135,153</u>	<u>143,491</u>	<u>146,576</u>

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:

	1973	1974	1975	1976
Balance available on an authorization basis.....	132,717	155,782	166,245	165,047
Unfinanced contract authority:				
Airport and airway trust fund.....	-1,208	-1,008	-509	-489
Highway trust funds.....	-10,119	-17,351	-19,266	-14,640
Foreign military sales trust fund.....	-6,204	-10,768	-13,576	-15,707
Other.....	-10	-7		
Unappropriated receipts:				
Available as needed, on an indefinite basis.....	3	-42	15	15
Available for appropriation by Congress:				
Soldiers' Home permanent fund.....	98	93	92	89
Airport and airway trust fund.....	574	932	1,400	1,402
Highway trust funds.....	5,283	7,515	9,085	10,843
Retained as permanent endowment.....	6	6	6	16
Balance available on a cash basis.....	<u>121,142</u>	<u>135,153</u>	<u>143,491</u>	<u>146,576</u>

For 1976, 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.

Trust revolving funds.—The activities of the trust revolving fund subgroup are shown in table B-10. The largest of these funds are those used by the Civil Service Commission to buy insurance for Government employees.

Table B-10. TRUST REVOLVING FUND TRANSACTIONS (in millions of dollars)

Description	Applicable receipts			Gross outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Civil Service Commission (employees' life insurance and health benefits).....	2,081	2,455	2,906	1,868	2,150	2,549
Federal Deposit Insurance Corporation.....	725	680	730	501	150	31
All other trust revolving funds..	239	253	352	177	246	317
Total trust revolving funds¹.....	3,045	3,388	3,988	2,546	2,546	2,897
Receipts from the public.....	(1,905)	(1,934)	(2,230)			
Receipts from other accounts...	(1,141)	(1,454)	(1,758)			

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

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 receipts 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.

This analysis 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 borrowing, agency investment in U.S. Government securities, the statutory debt limit, and borrowing by Government-sponsored enterprises. The analysis concludes with a brief discussion of the trend in Federal and federally assisted borrowing and the relationship of this trend to total funds raised by nonfinancial sectors 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 payments of social security and military retirement.

Special Analysis E examines the related subject of Federal credit programs, which include direct loans, loans by Government-sponsored enterprises, and Government-guaranteed loans. The factors discussed in both Special Analyses C and E are significant in appraising the impact on financial markets of the programs contained in the 1976 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 Federal 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 securities. Most Federal debt has been issued by the Treasury and is called "public debt," but a small portion has been issued by other Government agencies and is called "agency debt."¹

The gross Federal debt includes debt held by both the public and the agencies. Since Treasury borrowing from the agencies is an internal transaction between two funds both within the Government

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.

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.

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 is consequently an important concern of Federal fiscal policy. For most purposes borrowing from the Federal Reserve System should be distinguished from borrowing by the rest of the public. Federal Reserve purchases of debt are undertaken to carry out monetary policy, not to earn income, and affect the economy by means of expanding bank reserves and the money stock. They thus have a markedly different motivation and effect on financial markets than do purchases by other sectors of the public. The debt held outside the Federal Reserve System, in contrast, enters into investment portfolios of businesses and individuals and by this means affects interest rates, other financial conditions, and private wealth. 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 to the Government of Federal Reserve holdings of debt is very small. The debt held by the public exclusive of the Federal Reserve System is not estimated in this analysis for future years, despite its significance, because Federal Reserve open market operations depend on future economic developments and on policy decisions not yet made.

Table C-1 summarizes Federal borrowing from 1974 through 1976. In 1974 the total Federal borrowing (net of the refunding of securities)—i.e., the rise in gross Federal debt—was \$17.8 billion. The borrowing from Government agencies was \$14.8 billion, and the

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

Description	Increase or decrease (—)			Debt outstanding, end 1976 estimate
	1974 actual	1975 estimate	1976 estimate	
Gross Federal debt:				
Treasury debt.....	16,918	52,796	67,570	594,600
Agency debt.....	903	—502	—186	11,325
Gross Federal debt.....	17,821	52,294	67,384	605,925
Less debt held by Government agencies:				
Treasury debt.....	14,821	8,865	3,902	150,973
Agency debt.....	—8	—71	—18	1,899
Debt held by Government agencies.....	14,813	8,794	3,884	152,872
Total debt held by the public.....	3,009	43,500	63,500	453,053
Composed of:				
Debt held by the Federal Reserve System.....	5,467	NA	NA	NA
Debt held by others.....	—2,458	NA	NA	NA

NA = Not available.

borrowing from the public was \$3.0 billion. Since the Federal Reserve System bought \$5.5 billion of Federal debt, which was more than the total Federal borrowing from the public, the Government paid back \$2.5 billion of debt held by other lenders—commercial banks, foreign central banks, other financial institutions, other businesses, and individuals. Borrowing from the public is expected to rise to \$43.5 billion in 1975 and \$63.5 billion in 1976. This increase is primarily because the current recession is automatically reducing tax receipts and raising unemployment benefits and because temporary tax cuts are proposed to stimulate the economy. By the end of 1976 gross Federal debt is expected to be \$605.9 billion, with 75% held by the public (including the Federal Reserve System) and the remainder by the agencies. Ninety-eight percent of the gross Federal debt will have been issued by the Treasury.

Until recent years the Federal debt was held almost entirely by domestic individuals and institutions. After World War II the debt held in foreign balances and international accounts tended to grow gradually and by the end of 1969 amounted to \$10 billion.² However, due to international monetary developments, in 1970 the foreign and international holdings began to grow much faster and by the end of 1974 they were \$57 billion. Most of the Treasury debt held abroad is owned by foreign central banks. The annual borrowing from abroad is shown below for 1969–74 in comparison with the annual borrowing from the domestic public, exclusive of the Federal Reserve System (in billions of dollars):

	1969	1970	1971	1972	1973	1974
Foreign and international.....	-0.4	3.7	17.9	17.3	10.2	-2.5
Domestic (excluding Federal Reserve System).....	-12.6	-1.9	-6.3	-3.8	5.3	*
Total borrowing from the public (excluding Federal Reserve System).....	-13.0	1.8	11.6	13.5	15.5	-2.5

* Less than \$50 million.

Until 1970, the total borrowing from the public and the domestic borrowing from the public were about the same. In 1970, however, total borrowing was modestly larger than domestic borrowing; 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 Government borrowing from abroad remained large in 1973, but in 1974 a small amount of the Government debt held abroad was repaid.

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 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 gross Federal debt.

BORROWING AND GOVERNMENT DEFICITS

Table C-2 shows how borrowing from the public is related to the Federal deficit. In previous years the budget deficit constituted practically the entire deficit of the Federal Government, but during 1974-76 the deficit of the off-budget Federal agencies is also significant. In 1974 the total Government deficit was \$6.1 billion. About half of this amount, \$3.0 billion, was financed by borrowing from the public, and the remaining \$3.1 billion was financed by other means. Some of these other means of financing the deficit can be either positive or negative. In years when these other means add up to a negative total, such as is estimated for 1976, then they must be financed by borrowing from the public just like the deficit itself.

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

Description	1974 actual	1975 estimate	1976 estimate
Budget surplus or deficit (—).....	—3,460	—34,696	—51,852
Surplus or deficit (—) of off-budget Federal agencies ¹	—2,675	—13,931	—10,642
Total surplus or deficit (—).....	<u>—6,135</u>	<u>—48,627</u>	<u>—62,494</u>
Means of financing other than borrowing from the public:			
Decrease or increase (—) in cash and monetary assets.....	2,519	3,147	—367
Increase or decrease (—) in liabilities for:			
Checks outstanding, etc. ²	—913	1,500	—1,500
Deposit fund balances.....	—19	—133	189
Seigniorage on coins.....	321	613	672
Increment on gold.....	1,219	-----	-----
Total means of financing other than borrowing from the public.....	<u>3,127</u>	<u>5,127</u>	<u>—1,006</u>
Total requirements for borrowing from the public.....	<u>—3,009</u>	<u>—43,500</u>	<u>—63,500</u>
Change in debt held by the public.....	3,009	43,500	63,500

¹ The off-budget Federal agencies consist of the Rural Electrification and Telephone revolving fund, Rural Telephone Bank, Housing for the Elderly and Handicapped fund (as of September 1, 1974), Pension Benefit Guaranty Corporation, Environmental Financing Authority, Federal Financing Bank, Export-Import Bank, Postal Service, and United States Railway Association. Not all these agencies existed during the entire period.

² Besides checks outstanding, includes military payment certificates, accrued interest (less un-amortized discount) payable on Treasury debt, and, as an offsetting change in assets, certain collections in transit.

The means of financing a deficit other than borrowing from the public 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 face value of minted coins less the cost of their production; and
- The increment on gold, which is the increase in the value of gold assets of the United States in 1974 due to the change in the par value of the dollar authorized by section 2 of the Par Value Modification Act as amended by Public Law 93-110.

As the figures in table C-2 indicate, the extent to which the deficit can be financed by means other than borrowing from the public is limited. Consequently, the total Government deficit and the borrowing from the public tend to be closely related.

Borrowing from the agencies largely depends on the surpluses of the trust funds, which, as shown in table C-6, own 93% of the Federal debt held by Government agencies. The relationship between borrowing from agencies and trust fund surpluses during 1974-76 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. The trust fund surplus was \$14.0 billion in 1974 and is expected to be \$8.3 billion in 1975 and \$3.1 billion in 1976.

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 \$486.2 billion at the end of 1974. 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 1974, gross Federal debt rose by 80% while Federal debt held by the public rose by 54%. Federal debt held by the public apart from the Federal Reserve System rose still less, by 33%—an annual compound rate of growth of 1.4% over the 20 years—because during this period the Federal Reserve System bought a large quantity of Federal debt in the market, 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	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 ¹	367.1	87.7	279.5	54.1	225.4	898.3	31.1
1970 ²	382.6	97.7	284.9	57.7	227.2	954.6	29.8
1971	409.5	105.1	304.3	65.5	238.8	1,012.1	30.1
1972	437.3	113.6	323.8	71.4	252.3	1,101.6	29.4
1973 ³	468.4	125.4	343.0	75.2	267.9	1,224.1	28.0
1974	486.2	140.2	346.1	80.6	265.4	1,348.9	25.7
1975 estimate	538.5	149.0	389.6	NA	NA	1,434.0	27.2
1976 estimate	605.9	152.9	453.1	NA	NA	1,596.0	28.4

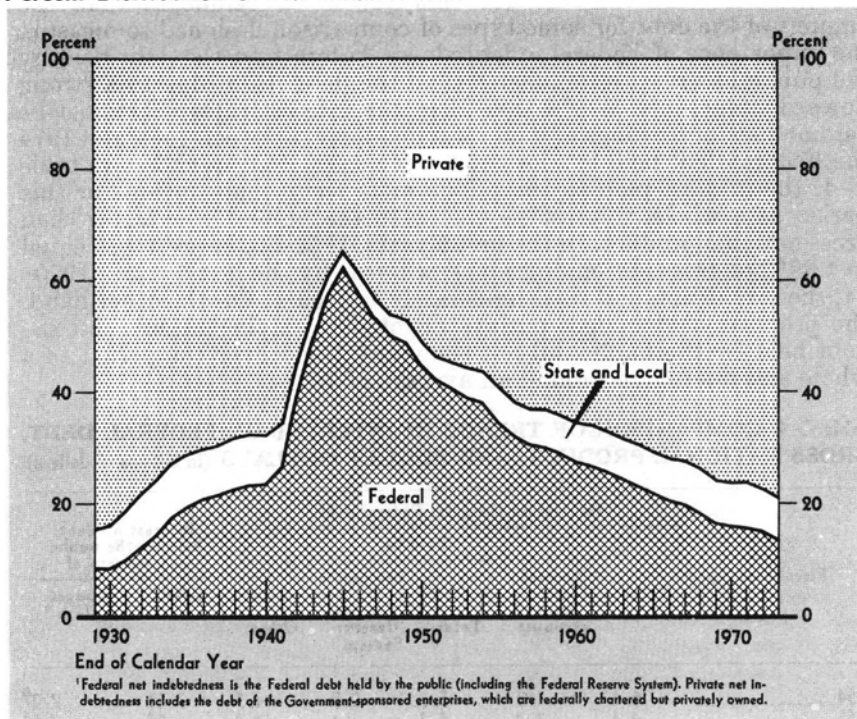
NA=Not available.

¹ During 1969, 3 Government-sponsored enterprises became completely privately owned, and their debt was removed from the totals for the Federal Government. At the dates of their conversion, gross Federal debt was reduced \$10.7 billion, debt held by Government accounts was reduced \$0.6 billion, and debt held by the public was reduced \$10.1 billion.

² Gross Federal debt and debt held by the public were increased \$1.6 billion due to a reclassification of certain certificates of interest as debt.

³ A procedural change in the recording of trust fund holdings of Treasury debt at the end of the month increased gross Federal debt and debt held in Government accounts by about \$4.5 billion.

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 during these years, particularly to finance World War II, and borrowing by other sectors was restricted by low incomes and poor credit-worthiness during the depression and by controls and scarcities during the war.

Percent Distribution of Net Indebtedness¹

Since 1945, however, private debt has increased as a proportion of total debt in every year, and in every 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 1973, Federal debt held by the public rose 54%, State and local government debt rose 510%, and private debt rose 515%. By the end of calendar year 1973, Federal debt held by the public was only 14% 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 the same period 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 26% by the end of 1974. Debt held by the public is, however, expected to rise as a proportion of gross national product in 1975 and 1976.

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 1974 the Federal debt held by the public grew 54%, but, as shown in table C-4, the interest paid to the public more than quadrupled. 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 1.39% of gross national product, whereas by the last 5 years, 1970-74, the proportion had risen moderately to 1.59%. On the other hand, the proportion of budget outlays devoted to paying interest on the debt held by the public did not show any trend over the period as a whole and fluctuated around an average of 7.7%.

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	1.3	5.2	0.5	4.7	1.43	7.29
1955-----	6.4	1.2	5.2	.4	4.8	1.37	7.56
1956-----	6.8	1.3	5.6	.5	5.1	1.36	7.90
1957-----	7.3	1.4	5.9	.7	5.3	1.37	7.73
1958-----	7.8	1.4	6.3	.7	5.6	1.44	7.68
1959-----	7.8	1.4	6.4	.8	5.6	1.37	6.96
1960-----	9.5	1.5	8.1	1.0	7.1	1.63	8.73
1961-----	9.3	1.5	7.8	1.0	6.8	1.54	7.96
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	9.2	1.2	8.0	1.51	7.80
1965-----	11.8	2.0	9.8	1.4	8.4	1.50	8.29
1966-----	12.6	2.1	10.4	1.7	8.7	1.45	7.75
1967-----	14.2	2.6	11.6	2.0	9.6	1.51	7.36
1968-----	15.6	3.0	12.6	2.4	10.2	1.53	7.07
1969-----	17.7	3.5	14.1	2.9	11.2	1.57	7.66
1970-----	20.0	4.4	15.6	3.5	12.2	1.64	7.95
1971-----	21.6	5.3	16.3	3.7	12.6	1.61	7.73
1972-----	22.5	5.8	16.6	3.7	12.9	1.51	7.16
1973-----	24.8	6.3	18.5	4.3	14.2	1.51	7.51
1974-----	30.0	7.7	22.4	5.3	17.0	1.66	8.33
1975 estimate-----	33.7	8.9	24.7	NA	NA	1.73	7.89
1976 estimate-----	36.7	9.5	27.2	NA	NA	1.70	7.78

NA=Not available.

¹ Estimated as the average of calendar year figures. The 1974 estimate is tentative.

² Budget outlays for 1954-76 are given in the Budget, Part 9, 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 was the statutory ceiling of 4¼% that has been maintained since 1918 on

the interest rate that could be paid on Treasury bonds.³ Because long-term market rates exceeded 4¼%, 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 years to about 3 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 4¼%. In July 1973 the restriction was relaxed further by exempting from this limit those bonds held by Government accounts and the Federal Reserve System. Treasury now has \$12.7 billion of bonds outstanding that have been sold since the change of law in 1971, including bonds held by Government accounts and the Federal Reserve System. The effective interest rates have ranged upwards from 6.1% with an average of 7.1%.

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. For those agencies included in the budget, the authorization to borrow is budget authority and the disbursement of such borrowed money is a budget outlay.

Agency debt includes the borrowings of off-budget Federal agencies, which are Government owned and controlled but whose transactions have been excluded from the budget totals under provisions of law. Those off-budget agencies that will have borrowed by the end of 1976 are the Export-Import Bank, the Postal Service, the Federal Financing Bank, and the United States Railway Association. Part of the debt of the Export-Import Bank and the Postal Service was issued before they were excluded from the budget. The debt of the Federal Financing Bank is classified by Treasury as public debt rather than agency debt.

The Federal Financing Bank (FFB) was created in December 1973 under the Treasury Department in order to assist agency borrowing and Government-guaranteed borrowing and to coordinate such borrowing with Treasury debt management. It was given the authority to purchase agency debt and Government-guaranteed loans directly from any Federal agency and, in turn, to finance its purchase of these obligations by selling its own debt instruments to the public or the Treasury. Since the FFB should be able to borrow from the public or the Treasury at lower interest rates than other agencies would have to pay in the market, this procedure is expected to reduce the cost of agency borrowing activities. To the extent that this procedure is used, the FFB will serve as a conduit for agency borrowing, and FFB or Treasury securities will replace the securities of other agencies in the market. Agency borrowing from the FFB is not included in gross Federal debt. It would be double counting to add together both the agency borrowing from the FFB and also the FFB borrowing from the public (or the FFB borrowing from Treasury and the Treasury borrowing from the public) that was necessary to provide the FFB with funds to lend to the agencies.

³ Until 1967, 5-year notes were the longest term security that could be issued without regard to this limitation. In 1967 the maximum maturity of notes was raised to 7 years.

Agency borrowing was shown in total in table C-1 and is shown by agency in table C-5. In 1974 the new agency borrowing exceeded the repayment of agency debt by \$0.9 billion. In 1975 and 1976, on the other hand, repayments are expected to exceed new borrowing by small amounts. The agency debt outstanding on June 30, 1976, is estimated to be \$11.3 billion, which is 2% of gross Federal debt.

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

Description	Increase or decrease (-) in debt			Debt out- standing, end 1976 estimate
	1974 actual	1975 estimate	1976 estimate	
Borrowing from the public:				
Agriculture: Farmers Home Administration ¹				317
Defense.....	-89	-105	-92	1,005
Health, Education, and Welfare ¹				130
Housing and Urban Development:				
College housing loans ¹				304
Public facility loans ¹				94
Federal Housing Administration.....	2	45	4	405
Housing for the elderly ¹				64
Government National Mortgage Association ¹	-65	-67	-39	668
Veterans Administration ¹	-45	-43	-41	625
Export-Import Bank.....	663	-301		2,583
Postal Service.....				250
Small Business Administration ¹				283
Tennessee Valley Authority.....	440	51		2,695
All other.....	5	-10	*	2
Total borrowing from the public.....	911	-431	-168	9,426
Borrowing from other funds:				
Agriculture: Farmers Home Administration ¹				175
Defense.....	-13	-10	-18	152
Health, Education, and Welfare ¹				68
Housing and Urban Development:				
College housing loans ¹				163
Public facility loans ¹				49
Federal Housing Administration.....	-6		*	52
Housing for the elderly ¹				33
Government National Mortgage Association ¹				500
Veterans Administration ¹				546
Export-Import Bank.....	10	-10		
Small Business Administration ¹				161
Tennessee Valley Authority.....	1	-51		
Total borrowing from other funds.....	-8	-71	-18	1,899
Total agency borrowing included in gross Federal debt.....	903	-502	-186	11,325
MEMORANDUM				
Borrowing from Federal Financing Bank:				
Tennessee Valley Authority.....		780	750	1,530
Export-Import Bank.....		1,607	1,421	3,027
Postal Service.....	500	500	1,550	2,550
United States Railway Association.....		100	444	544
Total agency borrowing from Federal Financing Bank.....	500	2,987	4,165	7,651

*Less than \$500 thousand.

¹ Certificates of participation in loans.

As shown in the memorandum section of table C-5, the FFB is having a profound effect on agency borrowing.⁴ Four agencies that would otherwise borrow in the market borrowed \$0.5 billion from the FFB in late 1974 and are expected to borrow \$3.0 billion in 1975 and \$4.2 billion in 1976. Consequently, almost no agency borrowing from the market is scheduled to take place in 1975 and 1976, and the amounts to be borrowed from the FFB are far larger than the net repayment of agency debt held by the public and other Government funds. If not for the FFB, the agency component of gross Federal debt would be \$7.7 billion higher at the end of 1976.

The FFB began financial operations in May 1974 and borrowed \$1.5 billion in 8-month securities from the public in July 1974. Its previous and subsequent borrowing, however, has all been from the Treasury, which can borrow from the public at lower interest rates than the FFB. No further FFB borrowing from the public is currently scheduled. Therefore, no amounts are presented for the FFB in the tables in this special analysis. The FFB has substantial authority to borrow from either the public or the Treasury. With the approval of the Secretary of the Treasury, the FFB is authorized to have outstanding at any one time up to \$15 billion of publicly issued debt and to borrow from the Treasury without a statutory limitation on the amount.

By the end of 1976, \$5.5 billion of agency debt, or almost half of the total, will be obligations of the agencies listed in table C-5 that are currently expected to conduct future borrowing from the FFB. A total of \$4.2 billion, or over a third of all agency debt, will consist of certificates of participation in pools of loans issued by the Government National Mortgage Association as trustee on behalf of several agencies, which are identified in table C-5. The issuance of certificates of participation was discontinued after 1968. A further \$1.0 billion of agency debt will be family housing mortgages assumed a number of years ago by the Department of Defense. The remaining agency debt, which is mostly for programs that will continue to borrow from the public, will constitute only 4% of the total—\$457 million of Federal Housing Administration debentures and \$8 million of other obligations.

⁴ FFB purchases of Government-guaranteed loans are shown in table C-9.

The Treasury provides capital to business-type Government enterprises both in the form of capital stock and in the form of "debt." The provision of "debt" is shown as "borrowing from Treasury" on the statements of financial condition for enterprises in the Budget Appendix. However, the equity and the "debt" 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 the agencies with this capital. Therefore, agency "borrowing" from Treasury is excluded from figures on agency "borrowing" and "debt" in all other parts of the budget documents.

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 invested mostly in Treasury debt and, 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 Federal agencies in Government securities was \$14.8 billion in 1974 and is expected to decline substantially to \$8.8 billion in 1975 and \$3.9 billion in 1976. The major cause of this decrease is the large rise in unemployment. Higher unemployment is substantially increasing the benefits paid by the unemployment trust fund and reducing the employment tax receipts of the social security trust funds.

Total agency holdings of Federal securities will reach an estimated \$152.9 billion by June 30, 1976. This will constitute 25% of the gross Federal debt. Two major groups of trust funds—the social security funds and the Civil Service Commission funds—will account for 70% of total agency holdings, and all the trust funds together will account for 93%. Ninety-nine percent of the 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 SECURITIES
(In millions of dollars)

Description	Increase or decrease (—) in holdings			Holdings, end of 1976 estimate
	1974 actual	1975 estimate	1976 estimate	
Investment in Treasury debt:				
Health, Education, and Welfare:				
Federal old-age and survivors ins. trust fund.....	2,217	1,682	—19	38,826
Federal disability insurance trust fund.....	391	—216	—901	7,078
Federal hospital insurance trust fund.....	3,642	2,559	3,212	13,585
Federal supplementary medical ins. trust fund.....	531	326	371	1,928
Housing and Urban Development:				
Federal Housing Administration.....	68	138	72	1,417
Government National Mortgage Association.....	191	245	218	1,531
Other.....	27	29	21	183
Labor: Unemployment trust fund.....	1,165	—3,297	—6,140	2,684
Transportation:				
Highway trust fund.....	2,049	1,786	1,657	11,043
Airport-Airway trust fund.....	878	1,034	31	1,943
Treasury: Exchange stabilization fund.....	—570	(1)	(1)	12,364
Veterans Administration:				
National service life insurance fund.....	178	156	178	6,940
Other trust funds.....	—1	1	—3	1,041
Other.....	31	33	33	350
Civil Service Commission:				
Civil Service retirement and disability fund.....	3,465	3,839	3,846	41,641
Other trust funds.....	204	311	357	2,339
Federal Deposit Insurance Corp.: Trust fund.....	225	530	872	7,263
Federal Home Loan Bank Board: FSLIC.....	378	299	321	3,904
Postal Service.....	—310	—515	—260	—
Railroad Retirement Board: Trust funds.....	—60	—191	—35	4,272
Other trust funds.....	46	38	21	218
Other Federal funds.....	71	59	35	377
Other off-budget funds.....	4	20	15	46
Total investment in Treasury debt.....	14,821	8,865	3,902	150,973
Investment in agency debt:				
Agriculture: CCC.....	—6	—6	—6	35
Health, Education, and Welfare:				
Federal old-age and survivors insurance trust fund.....	—	—	—	555
Federal hospital insurance trust fund.....	—	—	—	50
Housing and Urban Development:				
Federal Housing Administration.....	—6	*	*	191
Government National Mortgage Association.....	—14	—42	—12	191
Veterans Administration: National service life insurance fund.....	—	—	—	310
Civil Service Commission: Civil Service retirement and disability fund.....	—	—	—	375
Federal Home Loan Bank Board: FSLIC.....	—	—	—	142
Postal Service.....	18	—23	—	—
Railroad Retirement Board: Trust funds.....	—	—	—	50
Total investment in agency debt.....	—8	—71	—18	1,899
Total agency investment in Federal securities..	14,813	8,794	3,884	152,872
MEMORANDUM				
Investment by Federal funds.....	741	754	682	8,322
Investment by trust funds.....	14,930	8,557	3,447	142,140
Investment by off-budget Federal agencies.....	—858	—518	—245	2,410

*Less than \$500 thousand.

¹ The change in holdings is not estimated due to the uncertainties in foreign exchange, and the 1976 year-end holdings are taken to be the actual holdings at the end of 1974.

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 an overall 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 public or by the Government;
- Special non-interest-bearing notes issued to the International Monetary Fund;
- 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 statutory limit was \$465 billion for the period beginning November 1, 1972, and ending November 30, 1973. This limit consisted of a permanent limit of \$400 billion and a temporary increase to that limit of \$65 billion. On November 30, 1973, the temporary increase of \$65 billion expired, and the level of the statutory limit fell to the permanent limit of \$400 billion. On that date the outstanding debt subject to limit was \$65.0 billion more than the statutory limit. On December 3, 1973, the statutory limit was temporarily raised to \$475.7 billion, and on June 30, 1974, it was temporarily raised to \$495 billion. The temporary increase to \$495 billion expires on March 31, 1975, after which the permanent limit of \$400 billion is scheduled to come into effect.

The outstanding debt subject to limit is shown in table C-7 and compared with the gross Federal debt and the Federal debt held by the public. The debt subject to limit was \$476.0 billion at the end of 1974 and is expected to rise to \$528.9 billion and \$596.4 billion at the end of 1975 and 1976, respectively. These amounts are substantially more than the permanent debt limit of \$400 billion. The debt subject to limit equals 98% of the gross Federal debt. As table C-7 shows, almost all of the difference is accounted for by agency debt not subject to the general limitation.

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

Description	End of year		
	1974 actual	1975 estimate	1976 estimate
Federal debt held by the public.....	346,053	389,553	453,053
Add: Federal debt held by Government agencies.....	140,194	148,988	152,872
Gross Federal debt.....	486,247	538,541	605,925
Deduct:			
Treasury debt not subject to limit.....	617	610	610
Agency debt not subject to general limitation:			
Department of Defense.....	1,382	1,267	1,157
Tennessee Valley Authority.....	2,696	2,695	2,695
Export-Import Bank.....	2,894	2,583	2,583
Postal Service.....	250	250	250
Participation certificates ¹	3,235	3,125	3,045
Other.....	13	2	2
Total Federal debt not subject to limit.....	11,086	10,532	10,343
Federal debt subject to statutory limit.....	475,161	528,009	595,582
District of Columbia Armory Board bonds.....	20	20	20
Special notes held by International Monetary Fund.....	825	825	825
Total debt subject to statutory limit.....	476,006	528,853	596,427

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

The debt subject to statutory limit is expected to increase more than the debt held by the public in both 1975 and 1976: \$52.8 billion compared to \$43.5 billion in 1975, and \$67.6 billion compared to \$63.5 billion in 1976. The slower growth in the debt held by the public is due primarily to the surpluses of certain funds in the Federal budget—principally trust funds. Since these surpluses are largely invested in Federal debt, they reduce the debt held by the public. However, since the Federal debt acquired by these funds is almost entirely subject to the statutory debt limit, this investment does not reduce the amount of debt subject to limit.

Agency debt subject to the statutory limit is comprised almost exclusively of debentures issued by the Federal Housing Administration and participation certificates sold in 1968. These two categories together make up only about one-seventh of total agency debt. However, most other agency debt requires explicit statutory authorization, whether sold to the public, the Federal Financing Bank, or other Government funds. 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, and Government-guaranteed borrowing by non-Federal borrowers.

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

The borrowing programs of all seven 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 Student Loan Marketing Association now plans to borrow exclusively from the Federal Financing Bank.⁵ 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. 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 (except for the Student Loan Marketing Association), the obligations of these enterprises are sold at interest rates only moderately higher than the rates on Treasury issues.

As shown in table C-8, the borrowing by these seven Government-sponsored enterprises totaled \$14.9 billion in 1974 and is expected to be \$14.2 billion in 1975 and \$8.1 billion in 1976. The borrowing in all three years primarily reflects support for the housing market provided by the Federal home loan banks, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. The smaller borrowing estimated for 1976 is due to a reduction in the mortgage purchases and advances to savings institutions provided by these enterprises. Special Analysis E discusses lending by the Government-sponsored enterprises.

⁵ The securities of the other Government-sponsored enterprises are not Government guaranteed and therefore cannot be bought by the FFB.

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

Description	Increase or decrease (-)			Debt out- standing, end 1976 estimate
	1974 actual	1975 estimate	1976 estimate	
Health, Education, and Welfare: Student Loan Marketing Association.....	250	40	335	625
Housing and Urban Development: Federal National Mortgage Association.....	4,866	4,705	3,200	33,137
Farm Credit Administration:				
Banks for cooperatives.....	138	182	249	2,986
Federal intermediate credit banks.....	1,344	1,249	1,408	10,737
Federal land banks.....	2,043	2,120	1,985	15,270
Federal Home Loan Bank Board:				
Federal home loan banks.....	6,464	1,116	-2,495	15,300
Federal Home Loan Mortgage Corporation ¹	1,040	4,443	3,748	12,262
Total.....	16,145	13,855	8,430	90,317
Less increase in holdings of debt issued by Government-sponsored enterprises.....	1,253	-316	337	1,659
Total borrowing by Government-sponsored enterprises.....	14,892	14,171	8,093	88,658

¹ Figures include the sale of participation certificates (pass-through type) that offset the purchase of mortgage loans. These sales are treated by FHLMC as a sale of loan assets rather than as borrowing and therefore are not reflected as debt on its statement of financial condition in the Budget Appendix. Separate figures are given in table E-9.

The other type of federally assisted borrowing, Government-guaranteed borrowing, is defined as borrowing by individuals, private corporations, State and local governments, or foreign countries that is guaranteed by the United States Government. Government-guaranteed borrowing is the same as Government-guaranteed lending. The major part of Government-guaranteed debt consists of mortgages on residential property. As shown in table C-9, Government-guaranteed borrowing was \$10.1 billion in 1974 and is expected to rise to \$15.4 billion in 1975 and \$16.1 billion in 1976. Special Analysis E analyzes the various guarantee programs in detail.

TOTAL FEDERAL AND FEDERALLY ASSISTED BORROWING

Table C-9 summarizes Federal and federally assisted borrowing from the public. For the purpose of this table, Government-sponsored enterprises are excluded from the public and defined in the same sector as the Federal Government. 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. Double counting would otherwise occur when one type of Federal or federally assisted debt is bought or sold by the Government or a Government-sponsored enterprise.

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 1976 estimate
	1974 actual	1975 estimate	1976 estimate	
Federal borrowing from the public ¹	3.0	43.5	63.5	453.1
Borrowing by Government-sponsored enterprises ²	14.9	14.2	8.1	88.7
Less increase in holdings of Federal debt.....	—*	.4	*	1.1
Less increase in Government-sponsored debt held by Federal agencies.....	.1	.2	.3	.6
Net Government-sponsored borrowing from public.....	14.8	13.6	7.7	87.0
Government-guaranteed borrowing ³	10.1	15.4	16.1	215.5
Less increase in Government-guaranteed loans held by:				
Federal agencies:				
Federal Financing Bank.....	.1	10.6	5.8	16.5
Government National Mortgage Association.....	—3	—1	—4	3.0
Environmental Financing Authority.....	.....	.1	.....	.....
Government-sponsored enterprises:				
Student Loan Marketing Association.....	.1	.1	.3	.6
Federal National Mortgage Association.....	3.7	3.7	2.4	31.4
Federal Home Loan Mortgage Corporation.....	.2	.2	.3	2.4
Net Government-guaranteed borrowing from public.....	6.2	.8	7.7	161.7
Total Federal and federally assisted borrowing from the public.....	24.1	57.9	78.9	701.7

*Less than \$50 million.

¹ See table C-1.

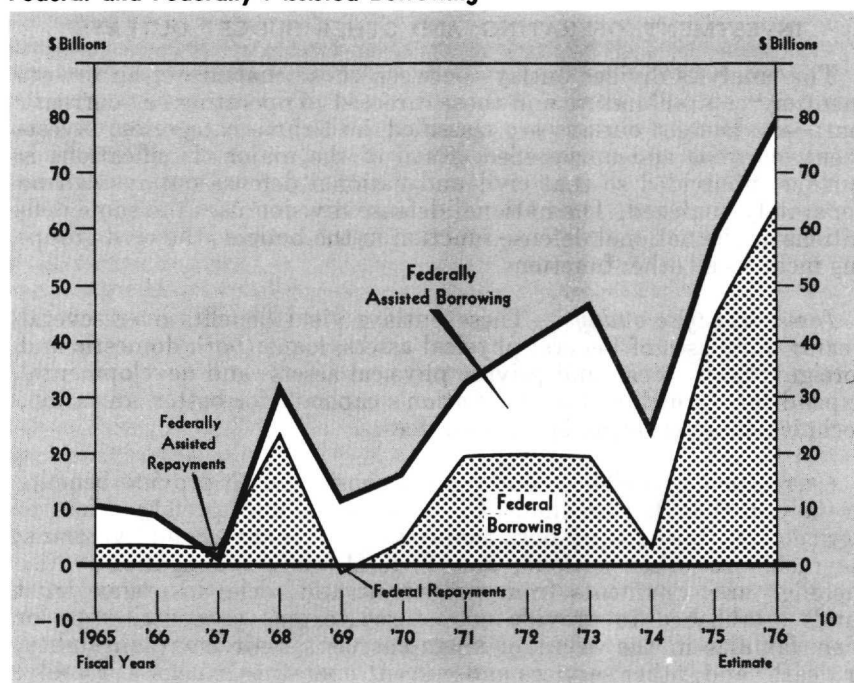
² See table C-8.

³ The same as Government-guaranteed loans. See table E-7.

Federal and federally assisted borrowing from the public in 1974 was composed mostly of Government-sponsored and Government-guaranteed borrowing, but in 1975 and 1976 the totals are made up predominantly of Federal borrowing from the public caused by large budget deficits. In addition, the Federal Financing Bank expects to acquire large amounts of Government-guaranteed debt in 1975 and 1976. Since the FFB finances these acquisitions through Federal borrowing, these transactions substitute Federal borrowing for Government-guaranteed borrowing in the market.

The following chart depicts the trends in Federal and federally assisted borrowing from the public between 1965 and 1976. Total Federal and federally assisted borrowing fell to \$24.1 billion in 1974 due mostly to a sharp drop in the Federal deficit. The levels expected for 1975 and 1976 are much the highest for any recent years during this period.

Federal and Federally Assisted Borrowing



As the chart shows, Federal and federally assisted borrowing is now substantially higher than a decade ago. Much of the increase parallels the growth in the economy and in the total funds raised by the nonfinancial sector through the sale of debt securities and other forms of borrowing and through the sale of corporate equities. However, to some extent the total Federal and federally assisted borrowing has increased as a proportion of the total funds raised. This proportion rose from 15% during 1960-67 to 22% during 1968-74. Thus, despite the decreasing share of Federal debt in total debt, Government programs since 1968 have influenced the allocation of funds raised in financial markets more than they did in the preceding years. During 1968-74 this proportion did not tend to increase further, although it may rise again during 1975 and 1976.

SPECIAL ANALYSIS D

INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS

This analysis divides outlays between those that are of an investment or "capital" nature and those directed to operating or "current" purposes. Budget outlays are classified into three categories; investment, current, and unclassified. Each of the major classifications is further subdivided so that civil and national defense outlays can be separately analyzed. The national defense division uses the same definitions as the national defense function in the budget; the civil grouping includes all other functions.

Investment-type outlays.—These outlays yield benefits over several years: purchases of Federal physical assets, loans (both domestic and foreign); State, local, and private physical assets; and developmental expenditures which add to the Nation's capacity for better education, technical innovation, and health services.

Current outlays.—These outlays are considered to provide benefits in the year that they are made. Included are aid and special services to agriculture, business, labor, homeowners, tenants, and veterans; payments to other nations; and Federal welfare obligations. Also included are: Payments from retirement and social insurance trust funds 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. Finally, this category includes transactions such as: Operation and administration of Federal departments and agencies; repair, maintenance, and operation of physical assets; regulatory and control activities; and interest.

Unclassified outlays.—These outlays cannot be precisely classified in either of the above two categories and are placed in this residual classification. Included are: Allowance for contingencies; and certain financial adjustments that cannot be distributed, such as proprietary receipts and the employer share of employee retirement.

These three categories of outlays are summarized in table D-1 for 1974-76.

- Additions to Federal assets, which will increase by more than 20% from 1975 to 1976, account for about two-thirds of the total change in investment-type outlays.
- Investment-type outlays are expected to amount to \$81.9 billion in 1976, about 12% above a year earlier.
- Retirement and social insurance benefits account for a large share of the increase in the 1976 budget rising by about \$13.5 billion.
- Current outlays are expected to be \$280.6 billion in 1976, 9% higher than the \$257.1 billion in 1975.

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

	Outlays		
	1974 actual	1975 estimate	1976 estimate
INVESTMENT-TYPE OUTLAYS			
Additions to Federal assets:			
Civil:			
Loans and other financial investments.....	2.3	1.4	4.0
Physical assets:			
Public works.....	3.4	4.2	4.5
Major commodity inventories.....	-.4	.1	.2
Major equipment and other physical assets.....	.7	1.1	1.0
National defense.....	17.9	17.8	20.5
Additions to State, local, and private assets:			
Civil.....	8.9	10.5	10.8
National defense.....	*	*	.1
Developmental outlays:			
Civil.....	24.3	28.8	30.2
National defense.....	9.4	9.5	10.6
Subtotal, investment type outlays:			
Civil.....	39.3	46.0	50.8
National defense.....	27.3	27.4	31.1
Total.....	66.6	73.5	81.9
CURRENT OUTLAYS			
Current expenses for aids and special services:			
Civil.....	47.2	55.3	54.9
National defense.....	3.8	5.5	7.1
Retirement and social insurance benefits—civil	78.2	97.5	111.0
Other services and current operating expenses:			
Civil:			
Net interest.....	21.4	23.6	26.1
Other.....	16.3	17.5	19.5
National defense.....	52.1	57.8	60.6
Allowances, Department of Defense			1.3
Subtotal, current outlays:			
Civil.....	163.2	193.8	211.5
National defense.....	55.9	63.3	69.0
Total.....	219.1	257.1	280.6
UNCLASSIFIED			
Allowances for:			
Energy tax equalization payments ¹.....		.5	7.0
Civilian agency pay raises.....			.6
Contingencies.....		.2	.5
Employer share employee retirement (—).....	-3.3	-4.1	-3.9
Proprietary receipts from the public (—):			
Civil.....	-9.3	-8.3	-11.1
National defense.....	-4.7	-5.4	-6.1
Subtotal unclassified outlays:			
Civil.....	-12.6	-11.7	-7.0
National defense.....	-4.7	-5.4	-6.1
Total.....	-17.4	-17.2	-13.1
Total budget, outlays:			
Civil.....	189.9	228.2	255.4
National defense.....	78.5	85.3	94.0
Total.....	268.4	313.4	349.4

* Less than \$50 million.

¹ Shown as civil.

Table D-2 shows civil investments and current operating outlays as a percentage of total budget outlays. Current outlays drop from 61.8% in 1975 to 60.5% in 1976 as a share of total budget outlays. This relative decline is centered in current expenses for aids and special services, which declined from 17.7% in 1975 to 15.7% in 1976.

Table D-2. CIVIL INVESTMENTS AND CURRENT OPERATING OUTLAYS
(percent of total budget outlays)

	1972 actual	1973 actual	1974 actual	1975 esti- mate	1976 esti- mate
INVESTMENT-TYPE OUTLAYS					
Additions to Federal assets:					
Loans.....	1.3	0.2	.7	.2	.9
Other financial investments.....	.1	.1	.2	.2	.2
Public works—sites and direct construction.....	1.4	1.3	1.3	1.3	1.3
Major commodity inventories.....	-----	-.2	-.1	*	*
Major equipment.....	.1	.1	.1	.1	.1
Other physical assets—acquisition and im- provement.....	.3	.3	.2	.3	.2
Subtotal, additions to Federal assets.....	3.2	1.8	2.3	2.2	2.8
Additions to State, local, and private assets:					
State and local assets.....	2.9	3.0	3.0	3.0	2.8
Private assets.....	.4	.4	.3	.3	.3
Subtotal, additions to State, local, and private assets.....	3.3	3.4	3.3	3.3	3.1
Developmental outlays:					
Education, training and health.....	6.5	6.3	6.0	6.3	5.7
Research and development.....	2.9	2.9	3.0	2.8	2.9
Engineering and natural resources surveys.....	.1	.1	.1	.1	.1
Subtotal, other development outlays.....	9.5	9.2	9.0	9.2	8.7
Total, investment-type outlays.....	15.9	14.4	14.6	14.7	14.5
CURRENT OUTLAYS					
Current expenses for aids and special services:					
Agriculture.....	1.8	2.2	1.2	.7	.4
Business.....	1.1	1.3	1.5	1.4	1.1
Labor.....	.5	.6	.6	1.2	.6
Homeowners and tenants.....	.3	.6	.6	.7	.9
Veterans.....	4.8	5.1	5.0	5.0	4.5
International aids.....	.8	.6	.5	.5	.7
Welfare aids.....	5.4	5.3	5.8	6.1	5.5
Other aids and special services.....	2.3	2.4	2.4	2.2	2.1
Subtotal, current expenses for aids special services.....	17.1	18.1	17.6	17.7	15.7
Retirement and social insurance benefits:					
Insurance benefits.....	21.2	23.9	25.1	25.1	24.7
Unemployment benefits.....	2.6	1.8	1.9	3.7	4.8
Other retirement and social insurance benefits.....	1.6	1.8	2.1	2.3	2.3
Subtotal, retirement and social insurance benefits.....	25.4	27.5	29.1	31.1	31.8

Table D-2. CIVIL INVESTMENTS AND CURRENT OPERATING OUTLAYS
(percent of total budget outlays)—Continued

	1972 actual	1973 actual	1974 actual	1975 esti- mate	1976 esti- mate
CURRENT OUTLAYS—Continued					
Other services and current operating expenses:					
Repair, maintenance and operation of physical assets (excluding special services).....	.5	.6	.6	.3	.3
Regulation and control.....	1.0	.9	1.1	1.1	1.0
Other operation and administration.....	1.9	4.6	4.4	4.2	4.3
Net interest.....	6.9	7.1	8.0	7.5	7.5
Subtotal, other services and current operating expenses.....	10.3	13.2	14.1	13.1	13.0
Total, current outlays.....	52.8	58.8	60.8	61.8	60.5
Total, civil investments and current operating outlays.....	68.8	73.3	75.4	76.5	75.1
Civil unclassified.....	-2.6	-4.1	-4.7	-3.7	-2.0
Net civil outlays.....	66.2	69.2	70.8	72.8	73.1

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) development outlays. Civil investment outlays are \$50.8 billion, approximately 14.5% of the budget, while defense investment outlays are \$31.1 billion, 8.9% of the 1976 budget.

Additions to Federal assets.—This category comprises additions to both financial and physical assets of the Federal Government. Investment in Federal civil assets in 1976 is projected to be \$9.7 billion, increasing by \$2.9 billion, or 42.6% over the 1975 increase. Investment in defense assets in 1976 is planned to be \$20.5 billion, an increase of \$2.7 billion and an increase of 15.2% over the 1975 investment.

The financial assets are primarily direct loans, for example, loans to finance private housing construction and encourage homeownership, to help small businesses, and to promote economic development abroad. Federal financial assets include both loans and other financial investments. Other financial investments include the capital provided for certain international organizations such as the World Bank.

Civil loans and financial assets are estimated to increase \$4.0 billion and represent 1.1% of the 1976 budget. Loans are expected to increase by \$2.6 billion. Special Analysis E discusses financial investments in greater detail. Additions to physical assets include outlays for public works, 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 improvements of real property and other physical assets.

Additions to civil physical assets are \$5.7 billion in 1976, as compared to additions of \$5.4 billion in 1975. Public works investments, the largest part of this total are \$4.5 billion in 1976 as compared to \$4.2 billion in 1975.

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 primarily for the construction of highways (mainly through the highway trust fund), hospitals, airports, waste-treatment plants, 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 resources, 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 1976 will be \$10.8 billion, an increase of \$0.3 billion more than in 1975. The major area of increased spending is in the Federal highway trust fund.

Developmental outlays.—Federal outlays of this type are principally for research and development, education and health, and other programs that improve the knowledge, technical skills, and physical vigor of America. 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 current expenses for veterans aid rather than as developmental outlays. Similarly, the training of military personnel and other Government employees is treated as an operating expense and not as part of the Government's education and training programs.

Civil research and developmental outlays are \$30.2 billion, an increase of \$1.5 billion from 1975. This includes increases for the supplemental security income (development), Energy Research and Development Administration (ERDA), Airport and airway trust fund, and the National Aeronautics and Space Administration (NASA).

Civil developmental outlays for education, training, and health are \$19.8 billion in 1976, or 5.7% of total outlays.

Civil outlays for research and development are \$10.1 billion in 1976 and reflect an increase of \$1.3 billion from the 1975 level. The bulk of this increase is: \$0.4 billion for air transport safety; \$0.3 billion for NASA and \$0.3 billion for ERDA.

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.

Current outlays for civil functions are \$211.5 billion, an increase of \$17.7 billion from 1976. The rate of increase will drop from 19% in 1975 to 9% in 1976. Current outlays for military functions are \$69.0 billion, an increase of \$5.7 billion from 1975.

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 expenses 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 for 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 because they either are not reflected in outlays or cannot be readily measured. Examples of such indirect benefits are loan guarantees, a subject discussed in Special Analysis E, "Federal Credit Programs."

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.

Aids to agriculture are expected to continue to decline, reaching \$1.3 billion in 1976, a decrease of \$1.7 billion from 1974. Farm Income support has dropped dramatically as farm income had increased.

Aid to homeowners and tenants is expected to be \$3.2 billion in 1976, an increase of 52% over the \$2.1 billion of 1975.

Retirement and social insurance benefits.—This category applies only to trust funds. It covers benefit programs that are financed from special taxes or contributions and 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 programs, which are in the form of premium payments to approved companies and are included with "other services and current operating outlays."

The growth in retirement and social insurance benefits is the result of both a growing number of recipients and recently legislated increases. Outlays for these benefits are expected to increase 13.9% in 1976, to \$111.0 billion and will be 31.8% of total outlays in 1976. A large part of this increase, \$5.1 billion, will come from the increase in unemployment benefits due to a higher average unemployment rate in 1976 than in 1975.

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; interest on the public debt; and operation and administration of other direct Federal programs not elsewhere classified.

These outlays are expected to increase by \$7.3 billion and will reach \$106.2 billion in 1976. Net interest accounts for \$2.5 billion of this increase and defense accounts for \$2.8 billion. Defense costs have risen primarily due to price increases while net interest outlays will increase because of the large deficits in 1975 and 1976.

UNCLASSIFIED

Certain outlay estimates cannot be classified precisely into any of the categories described above and allowances are provided for them. This year, a special allowance of \$7 billion is provided for energy tax equalization payments to low-income nontaxpayers, State and local governments, and Federal agencies to compensate them for higher energy costs due to the energy tax.

Intragovernmental 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 category, most intragovernmental receipts are allocated to a particular category whenever possible. For example, interest received by the social security and other trust funds is deducted from the interest on the public debt category in order to derive a measure of net interest paid to 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 business-type activities of the Government, are unclassified and are 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 the computation of budget totals, except for annual charges to amortize these capital outlays over a number of years.

While this analysis does not provide a precise measure of the difference between capital and current items, it does indicate 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, this analysis does not estimate 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 receipts 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 receipts. However, this analysis does not attempt to measure the degree of recoverability of developmental outlays, the potential gain in public receipts that will be forthcoming, or the duration of future benefits and their discounted present value.

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

Description	1974 actual	1975 estimate	1976 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.....	-1,013	-108	-67
Farmers Home Administration:			
Rural housing insurance.....	1,141	-1,314	-215
Agricultural credit insurance.....	-40	-487	-39
Rural development insurance.....	127	-116	18
Other ¹	-9	-6	-6
Soil Conservation Service and other ¹	1	*	-----
Department of Health, Education, and Welfare:			
Health Resources Administration.....	73	54	32
Office of Education:			
Higher education.....	279	199	240
Student loan insurance.....	84	171	188
Other.....	-3	-2	8
Other.....	2	9	1
Department of Housing and Urban Development:			
Housing Production and Mortgage Credit: Federal Housing Administration and Government National Mortgage Association:			
Federal Housing Administration.....	327	298	313
Special assistance functions.....	-214	-64	-375
Management and liquidating functions and other.....	-83	-71	-63
Community planning and development and other.....	8	90	-14

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

Description	1974 actual	1975 estimate	1976 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Loans—Continued			
Civil—Continued			
To domestic and private borrowers—Continued			
Veterans Administration:			
Loan guaranty revolving fund.....	25	-270	-56
Direct loans.....	-78	-73	-83
Education loans.....		80	72
National service life insurance.....	36	75	56
Other ¹	7	8	9
Federal Deposit Insurance Corporation.....		100	
Small Business Administration:			
Business loans and investment.....	126	86	127
Disaster loans.....	68	62	19
Other agencies.....	23	83	65
Total to domestic and private borrowers.....	886	-1,196	229
To State and local governments:			
Department of Housing and Urban Development: Com-			
munity planning and development and other.....	-76	31	26
District of Columbia.....	154	246	288
Other agencies ¹	38	59	68
Total to State and local governments.....	115	336	381
To foreign borrowers:			
Funds appropriated to the President:			
International Development Assistance.....	581	676	784
Special Financing Facility.....			1,000
Department of Agriculture: Public Law 480 credit sales.....	289	838	778
Other agencies.....	2	-3	-3
Total to foreign borrowers.....	873	1,511	2,559
National defense:			
To domestic and private borrowers: Other agencies.....	-2	-2	*
To foreign borrowers:			
Funds appropriated to the President: International Security			
Assistance.....	326	426	827
Total loans.....	2,198	1,075	3,996
Other financial investments—civil:			
Investments in quasi-public institutions, trust funds, and inter-			
national institutions: Funds appropriated to the President:			
International financial institutions.....	446	704	818

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

Description	1974 actual	1975 estimate	1976 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Public works—sites and direct construction:			
Civil:			
Legislative branch:			
Architect of the Capitol	20	23	61
United States Tax Court	9	7	*
Department of Agriculture:			
Agricultural Research Service	3	7	8
Forest Service:			
Forest roads and trails	73	100	58
Other ¹	64	66	72
Department of Defense—Civil:			
Corps of Engineers:			
Construction, general	987	1,048	1,109
Flood control, Mississippi River and tributaries	82	185	134
Trust funds	19	22	22
Other ¹	9	17	11
Department of Health, Education, and Welfare:			
Indian health and other health services	38	62	72
Other ¹	35	69	73
Department of the Interior:			
Bureau of Reclamation:			
Construction and rehabilitation	233	260	290
Colorado River Basin project	62	50	46
Other ¹	17	45	76
National Park Service: Planning and construction and other ¹	48	83	83
Bonneville Power Administration: Construction, and operation and maintenance of facilities	94	102	113
Bureau of Indian Affairs: Construction of schools and roads	103	129	140
Other ¹	21	30	27
Department of Transportation:			
Coast Guard: Acquisition, construction, and improvements	45	46	52
Federal Aviation Administration: Airway system investment and development (Airport and airway trust fund)	190	237	258
Other	18	23	20
Energy Research and Development Administration: Plant and capital equipment and other ¹	256	320	421
General Services Administration: Public buildings	210	1	-2
National Aeronautics and Space Administration: Construction of facilities	75	100	108
Veterans Administration: Hospitals and other	104	137	184
Tennessee Valley Authority	510	955	930
Other agencies	92	105	148
National defense:			
Department of Defense—Military:			
Military construction	1,286	1,351	1,583
Family housing and other	209	276	321
Energy Research and Development Administration	124	199	201
Total public works—sites and direct construction	5,036	6,054	6,620

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Major commodity inventories:			
Civil:			
Department of Agriculture; Commodity Credit Corporation:			
Agricultural commodities.....	-364	84	153
Other agencies.....	5	1	3
National defense:			
Funds appropriated to the President: Expansion of defense			
production.....	-155	3	-----
Other agencies.....	16	1	*
Intragovernmental transactions (-).....	-6	-40	-----
Total major commodity inventories.....	-504	49	155
Major equipment:			
Civil:			
Department of Commerce.....	25	38	50
Department of Transportation: Coast Guard and other.....	96	104	83
Energy Research and Development Administration.....	82	93	109
Other agencies ¹	4	17	17
National defense:			
Department of Defense—Military: Procurement.....	15,241	14,785	16,600
Energy Research and Development Administration.....	70	101	101
Total major equipment.....	15,518	15,139	16,960
Other physical assets—acquisition and improvement:			
Civil:			
Department of Agriculture: Reforestation and range improve-			
ments and other ¹	120	203	151
Department of Housing and Urban Development:			
Federal Housing Administration.....	680	588	442
Housing Management.....	*	*	*
Department of the Interior:			
Land and water conservation.....	92	100	126
Other.....	28	40	39
Energy Research and Development Administration.....	-440	-134	-41
Other agencies.....	7	40	53
National defense: Energy Research and Development Admin-			
istration.....	774	736	828
Total other physical assets—acquisition and improvement.....	1,261	1,572	1,597
Total additions to Federal assets.....	23,956	24,594	30,146

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Investment-type outlays—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS			
State and local assets:			
Civil:			
Funds appropriated to the President:			
Appalachian regional development programs	222	255	260
Other		1	1
Department of Agriculture:			
Rural water and waste disposal grants and other rural development	37	62	82
Watershed and flood prevention operations and other conservation	105	97	87
Department of Commerce: Economic development assistance programs and other	198	218	194
Department of Health, Education, and Welfare:			
Health resources	256	307	258
Education	64	59	56
Human development	10	5	4
Department of Housing and Urban Development:			
Housing management			239
Open space land programs	80	75	
Grants for neighborhood facilities	40	35	
Grants for basic water and sewer facilities	136	140	
New communities assistance	1	2	3
Department of the Interior:			
Land and water conservation	151	150	160
Other	70	80	90
Department of Justice: Law enforcement assistance	82	98	96
Department of Transportation:			
Grants-in-aid for airports (Airport and airway trust fund) ..	243	290	360
Federal Highway Administration:			
Federal-aid highways (trust fund)	4,341	4,380	4,666
Other ¹	35	49	47
National Highway Traffic Safety	1		
Urban Mass Transportation	345	615	796
Environmental Protection Agency: Construction grants	1,553	2,300	2,300
Washington Metropolitan Area Transit Authority	170	185	182
Other agencies ¹	5	6	12
National defense: Department of Defense—Military	41	46	54
Total State and local assets	8,187	9,454	9,946
Private assets—Civil:			
Department of Agriculture:			
Agricultural Stabilization and Conservation Service:			
Agricultural conservation program	2	239	40
Other	67	58	59
Soil Conservation Service:			
Conservation operations	165	201	200
Watershed and flood prevention operations	35	67	62
Other	25	33	32
Other	28	—17	*
Department of Commerce: Ship construction	200	256	315

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Investment-type outlays—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued			
Private Assets—Civil—Continued			
Department of Health, Education, and Welfare:			
Health resources.....	114	129	129
Other.....	67	62	28
National Science Foundation.....	36	40	75
Other agencies, ¹	21	23	15
Total private assets.....	760	1,091	955
Total additions to State, local, and private assets.....	8,947	10,545	10,901
OTHER DEVELOPMENTAL EXPENDITURES			
Education, training, and health:			
Civil:			
Funds appropriated to the President: Appalachian regional development programs.....	50	55	52
Department of Agriculture: Extension Service and other.....	199	223	231
Department of Health, Education, and Welfare:			
Health services.....	567	685	598
Indian health.....	58	77	89
Preventive health services.....	96	95	103
National Institutes of Health.....	162	184	166
Alcohol, drug abuse, and mental health.....	464	679	603
Health resources.....	413	502	437
Elementary and secondary education.....	1,667	1,890	2,193
School assistance in federally affected areas.....	536	605	349
Emergency school aid.....	205	207	122
Education for the handicapped.....	111	116	128
Occupational, vocational, and adult education.....	526	589	550
Higher education.....	844	1,572	1,770
Library resources.....	140	159	107
Educational development.....	227	145	38
Salaries and expenses and other education ¹	111	175	165
Public assistance.....	5,910	6,688	6,815
Other social and rehabilitation services.....	12	12	8
Supplemental security income program.....	14	135	54
Federal disability insurance trust fund.....	50	67	90
Other social security ¹	4	7	9
Howard University.....	60	70	74
Other special institutions.....	20	28	32
Human development.....	569	428	443
Other ¹	14	24	65
Department of the Interior: Operation of Indian programs.....	189	237	227
Department of Justice:			
Law enforcement assistance.....	82	63	87
Other.....	35	43	46

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Con.			
Education, training, and health—Continued			
Civil—Continued			
Department of Labor:			
Comprehensive manpower assistance.....	1,416	2,752	2,645
Emergency employment assistance.....	598	58	---
Temporary employment assistance.....	---	350	650
Program administration.....	58	62	64
Community service employment for older Americans.....	---	10	---
Veterans Administration: Medical care and other.....	156	210	223
ACTiON.....	86	99	105
Community Services Administration.....	78	5	---
Corporation for Public Broadcasting.....	48	62	70
National Foundation on the Arts and the Humanities ¹	96	156	183
National Science Foundation.....	66	66	63
Smithsonian Institution.....	44	54	67
Other agencies ¹	75	79	104
Intragovernmental transactions (—).....	---	---	—10
National defense: Department of Health, Education, and Welfare.....	2	1	---
Total education, training, and health.....	16,059	19,720	19,820
Research and development:			
Civil:			
Department of Agriculture:			
Agricultural Research Service ¹	207	228	249
Cooperative State Research Service ¹	85	99	110
Forest Service ¹	62	78	83
Other ¹	23	27	29
Department of Commerce:			
National Oceanic and Atmospheric Administration.....	102	124	139
Other.....	74	79	80
Department of Health, Education, and Welfare:			
National Institutes of Health.....	1,413	1,641	1,626
Alcohol, drug abuse, and mental health.....	127	135	128
Occupational, vocational, adult, and other education.....	64	55	110
National Institute of Education.....	97	82	84
Human development.....	70	71	66
Other ¹	143	184	194
Department of Housing and Urban Development: Policy development and research and other.....	62	68	70
Department of the Interior: Mines and minerals, geological surveys, and other ¹	200	282	356
Department of Justice: Law enforcement assistance and other.....	44	59	45
Department of Transportation:			
Federal Aviation Administration ¹	109	113	543
Urban Mass Transportation Administration.....	51	59	51
Other ¹	162	168	199
Energy Research and Development Administration ¹	817	1,111	1,444
Environmental Protection Agency.....	147	212	284
National Aeronautics and Space Administration ¹	3,183	3,111	3,393
Veterans Administration.....	80	96	97
National Science Foundation ¹	539	532	570
Other agencies ¹	148	176	171

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Con.			
Research and development—Continued			
National defense:			
Department of Defense—Military:			
Military personnel.....	373	405	411
Research, development, test, and evaluation.....	8,582	8,650	9,610
Other.....	5	6	7
Energy Research and Development Administration.....	446	480	543
Total research and development.....	17,414	18,330	20,692
Engineering and natural resources surveys—civil:			
Department of Defense—Civil:			
Corps of Engineers.....	52	55	54
The Panama Canal.....	1	1	1
Department of the Interior:			
Geological Survey.....	84	98	108
Other.....	52	63	86
Other agencies ¹	67	77	76
Intragovernmental transactions (—).....	—26	—24	—29
Total engineering and natural resources surveys—civil.....	230	269	296
Total other developmental expenditures.....	33,702	38,320	40,807
Total investment-type outlays.....	66,605	73,458	81,855
Current outlays			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES			
Agriculture—civil:			
Department of Agriculture:			
Agricultural Stabilization and Conservation Service: Ex-			
penses and other.....	237	246	162
Commodity Credit Corporation:			
Price support and related programs.....	2,232	1,194	187
Other.....	77	26	23
Farmers Home Administration:			
Salaries and expenses and other ¹	121	136	147
Rural housing insurance.....	149	111	377
Agricultural credit insurance.....	133	84	134
Rural development insurance.....	22	12	57
Agricultural Marketing Service ¹	78	76	80
Other ¹	117	165	158
Other agencies.....	6	9	10
Total agriculture.....	3,173	2,061	1,335

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Business—civil:			
Department of Commerce:			
Social and economic statistics.....	55	64	69
Domestic and international business operations and adminis- tration ¹	51	56	56
Minority business development.....	45	61	49
Patent Office.....	73	77	83
Maritime operating-differential subsidies and other ¹	263	247	316
Other ¹	55	64	69
Department of Defense—Civil:			
Corps of Engineers.....	285	287	330
The Panama Canal.....	-10	-17	-21
Department of Transportation:			
Office of the Secretary.....	1	*	-1
Coast Guard: Navigation aids and other ¹	511	608	629
Federal Aviation Administration: Operations and other ¹	1,194	1,285	990
Federal Railroad Administration: Grants to National Rail- road Passenger Corporation and other.....	154	442	406
Civil Aeronautics Board: Payments to air carriers.....	73	67	66
Postal Service.....	778	911	570
Small Business Administration:			
Business loans and investments and other.....	171	126	100
Disaster loan fund.....	398	136	105
Other agencies ¹	26	50	40
Intragovernmental transactions (-).....	-24	-23	-26
Total business.....	4,099	4,440	3,830
Labor—civil:			
Department of Health, Education, and Welfare: Work incentives.....	232	222	218
Department of the Interior: Mining enforcement and safety.....	57	67	77
Department of Labor:			
Manpower Administration:			
Federal unemployment benefits and allowances.....	19	1,834	226
Grants to States for unemployment insurance and employ- ment services.....	60	64	74
Unemployment trust fund.....	909	1,237	1,160
Other.....	29	25	29
Employment standards.....	57	77	76
Occupational safety and health.....	69	102	116
Labor statistics ¹	47	52	58
Departmental management.....	21	30	30
Equal Employment Opportunity Commission.....	42	54	60
Occupational Safety and Health Review Commission.....	5	6	6
Railroad Retirement Board.....	22	4	305
Intragovernmental transactions (-).....	1	-1	-250
Total Labor.....	1,571	3,773	2,185

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Homeowners and tenants—civil:			
Department of Housing and Urban Development:			
Housing Production and Mortgage Credit:			
Federal Housing Administration.....	-145	-94	-25
Special assistance functions.....	256	325	760
Other.....	-8	15	20
Housing management:			
Housing payments.....	1,776	2,117	2,380
Payments for operation of low-income housing projects.....			210
Other.....	11	-38	25
Federal Insurance Administration.....	47	62	121
Other.....	4	8	13
Federal Home Loan Bank Board.....	-352	-309	-333
Other agencies.....	1	2	2
Total homeowners and tenants.....	<u>1,591</u>	<u>2,088</u>	<u>3,173</u>
Veterans—civil:			
Department of Health, Education, and Welfare: Payments to social security trust and other funds.....	239	240	295
Veterans Administration:			
Compensation and pensions.....	6,633	7,443	7,488
Readjustment benefits.....	3,249	3,965	3,530
Medical care.....	2,634	3,071	3,359
General operating expenses.....	337	447	451
Loan guaranty revolving fund.....	23	69	45
National service life insurance trust fund.....	587	608	638
U.S. Government life insurance trust fund.....	80	79	80
Other ¹	-77	-44	-52
Other agencies ¹	44	14	11
Intragovernmental transactions (—).....	-264	-246	-297
Total veterans.....	<u>13,486</u>	<u>15,648</u>	<u>15,548</u>
International aids:			
Civil:			
Funds appropriated to the President:			
International security assistance: Security supporting assistance.....	382	319	398
Indochina postwar reconstruction assistance.....	246	508	762
International development assistance ¹	409	522	481
Contingencies.....	25	27	32
Department of Agriculture: Public Law 480 donations of agricultural commodities.....	264	-60	558
Department of State.....	48	93	48
ACTION ¹	81	83	83
Other agencies.....	8	17	15
Intragovernmental transactions (—).....	-50	-50	-50

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 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	3,752	4,920	6,081
Department of Defense—Military:			
Military construction	87	73	80
Military assistance, South Vietnamese forces	-----	515	975
Total international aids	5,253	6,967	9,463
Welfare aids—civil:			
Funds appropriated to the President: Disaster relief	250	275	250
Department of Agriculture:			
Commodity Credit Corporation: Price support and related programs	234	160	3
Funds for strengthening markets, income, and supply	784	488	43
Food stamp program	2,845	3,672	3,643
Grants for child food assistance	751	1,323	1,649
Special milk program	50	120	18
Food donations program	-----	-----	6
Department of Health, Education, and Welfare:			
Public assistance	6,804	6,591	6,585
Work incentives	108	94	97
Other social and rehabilitation services	63	67	72
Assistance to refugees in the United States	95	73	45
Special benefits for disabled coal miners	965	938	960
Supplemental security income program	1,875	4,252	4,900
Human development	718	988	1,015
Departmental management	-----	-----	1
Total welfare aids	15,541	19,041	19,287
Other aids and special services—civil:			
Department of Commerce: Economic development and other	84	99	111
Department of Health, Education, and Welfare:			
Health Services Administration:			
Health services	101	112	117
Indian health	124	161	175
Health maintenance organization loan and loan guarantee	-----	-35	25
Alcohol, Drug Abuse, and Mental Health Administration	40	48	53
Health Resources Administration	56	44	79
Social Security Administration:			
Payments to social security trust and other funds	2,782	3,127	3,770
Supplemental security income program	286	408	504
Federal old-age and survivors insurance trust fund	712	861	905
Federal disability insurance trust fund	152	255	277
Federal hospital insurance trust fund	256	277	316
Federal supplementary medical insurance trust fund	406	411	508
Other	34	26	13
Departmental management and other ¹	58	118	101

See footnotes at end of table.

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

Description	1974 ctual	1975 estimate	1976 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Other aids and special services—civil—Continued			
Department of Housing and Urban Development:			
Comprehensive planning grants	99	107	60
Model cities programs	468	280	230
Urban renewal fund—capital grants	1,211	1,200	1,200
Other	35	39	43
Departmental management and other	46	71	69
Department of the Interior:			
Bureau of Indian Affairs:			
Operation of Indian programs	212	270	294
Miscellaneous appropriations	74	84	83
Miscellaneous trust funds	264	158	155
Other ¹	24	16	7
Department of Transportation:			
Federal Highway Administration: Federal-aid highways and other trust funds	116	147	155
National Highway Traffic Safety Administration ¹	129	120	118
Other	38	152	252
Community Services Administration	570	492	374
Legal Services Corporation	-----	39	63
Postal Service	920	920	920
Other agencies	92	119	118
Intragovernmental transactions (—)	–3,059	–3,297	–3,875
Total other aids and special services	6,329	6,832	7,221
Total current expenses and aids and special services	51,044	60,849	62,042
RETIREMENT AND SOCIAL INSURANCE BENEFITS			
Insurance benefits—civil:			
Department of Health, Education, and Welfare:			
Federal old-age and survivors insurance trust fund	47,847	54,718	62,864
Federal disability insurance trust fund	6,158	7,636	9,083
Federal hospital insurance trust fund	7,806	9,901	11,390
Federal supplementary medical insurance trust fund	2,874	3,551	4,145
Other social security trust funds	-----	–315	–4,573
Department of Labor: Unemployment trust fund	50	65	69
Railroad Retirement Board (trust fund)	2,654	2,999	3,238
Total insurance benefits	67,389	78,555	86,206
Unemployment benefits:			
Civil:			
Department of Labor: Manpower Administration:			
Advances to the Federal unemployment benefits and allowances	-----	-----	2,100
Unemployment trust fund	5,139	11,697	14,671
Total unemployment benefits	5,139	11,697	16,771

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Current outlays—Continued			
RETIREMENT AND SOCIAL INSURANCE BENEFITS—Continued			
Other retirement and social insurance benefits—civil:			
Department of State: Foreign Service retirement and disability trust fund.....	39	54	64
Civil Service Commission: Civil service retirement and disability trust fund.....	5,669	7,205	7,974
Other agencies.....	1	1	1
Intragovernmental transactions (—).....	—15	—22	—7
Total other retirement and social insurance benefits.....	5,694	7,238	8,032
Total retirement and social insurance benefits.....	78,222	97,490	111,009
OTHER SERVICES AND CURRENT OPERATING EXPENSES			
Repair, maintenance, and operation of physical assets:			
Civil:			
Department of Agriculture: Forest Service ¹	353	401	343
Department of Defense—Civil:			
Corps of Engineers.....	199	248	268
Miscellaneous accounts.....	1	1	1
Department of the Interior:			
Bureau of Land Management ¹	103	144	126
Bureau of Reclamation ¹	107	128	152
National Park Service ¹	179	229	241
Bonneville Power Administration.....	37	—90	—191
Other.....	34	42	38
Energy Research and Development Administration.....	94	97	108
General Services Administration: Public buildings.....	612	6	2
Tennessee Valley Authority.....	—177	—262	—331
Other agencies ¹	86	122	117
Intragovernmental transactions (—).....	*		
National defense:			
Department of Defense—Military:			
Operation and maintenance.....	22,429	25,603	28,174
Family housing.....	614	742	890
Naval Petroleum Reserve.....			148
Energy Research and Development Administration.....	71	82	90
General Services Administration.....	—1	*	
Total repair, maintenance, and operation of physical assets.....	24,740	27,493	30,178
Regulation and control—civil:			
The Judiciary ¹	207	307	342
Department of Agriculture: Animal and Plant Health Inspection Service and other ¹	330	376	381
Department of Health, Education, and Welfare: Food and Drug Administration and other.....	145	173	189

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Regulation and control—civil—Continued			
Department of Justice:			
General administration	17	22	21
Legal activities	179	215	235
Federal Bureau of Investigation	368	421	445
Immigration and Naturalization Service	149	174	208
Federal Prison System ¹	133	155	176
Law Enforcement Assistance Administration	566	619	670
Drug Enforcement Administration	91	130	148
Department of Transportation:			
Coast Guard	82	103	117
Federal Aviation Administration	83	90	92
Other	13	19	25
Department of the Treasury:			
Bureau of Alcohol, Tobacco and Firearms	79	96	102
Customs Service ¹	50	70	68
Internal Revenue Service	52	48	49
Secret Service	67	83	95
Other ¹	-2	9	6
Environmental Protection Agency ¹	206	281	345
Federal Deposit Insurance Corporation	-224	-630	-699
Interstate Commerce Commission	38	47	50
National Labor Relations Board	55	64	70
Nuclear Regulatory Commission	80	139	198
Other agencies ¹	208	284	304
Total regulation and control	2,972	3,296	3,636
Other operation and administration:			
Civil:			
International activities:			
Department of State:			
Administration of foreign affairs ¹	335	362	418
International organizations and conferences ¹	226	274	295
Educational exchange and other ¹	52	54	71
Board for International Broadcasting	51	50	66
United States Information Agency ¹	214	240	265
Other agencies	29	14	15
Total international activities	907	994	1,131
Federal financial activities:			
Legislative branch: General Accounting Office and other	113	133	151
Department of Health, Education, and Welfare:			
Health Services Administration		35	
Social Security Administration: Supplemental security income program	82	-82	
Department of the Treasury:			
Bureau of Government Financial Operations ¹	89	113	123
Customs Service	185	244	256
Bureau of the Public Debt	76	100	96
Internal Revenue Service	1,222	1,537	1,577
Other	39	62	74

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration—Continued			
Civil—Continued			
Federal financial activities—Continued			
Other agencies	6	1	2
Total Federal financial activities	1,812	2,144	2,280
Other direct Federal programs:			
Legislative branch ¹	457	535	628
Executive Office of the President	58	101	73
Funds appropriated to the President: Economic stabilization activities and other	73	5	1
Department of Commerce: National Oceanic and Atmos- pheric Administration and other ¹	257	272	285
Department of Defense—Civil:			
Corps of Engineers	34	40	43
The Panama Canal	59	64	60
Department of Health, Education, and Welfare: Depart- mental management and other	66	81	96
Department of the Interior	80	117	135
Department of the Treasury: Bureau of Government Finan- cial Operations and other ¹	112	195	210
Environmental Protection Agency	104	121	133
General Services Administration ¹	196	181	171
Civil Service Commission:			
Payment to civil service retirement and disability fund		363	
Employees life insurance fund	-156	-278	-361
Employees health benefits fund	-62	-38	-6
Salaries and expenses	73	93	96
Other ¹	6	13	12
Federal Energy Administration	33	127	208
Other agencies ¹	36	76	90
Total other direct Federal programs	1,427	2,068	1,874
Retirement, unemployment, and accident compensation for Federal employees:			
Department of Labor:			
Federal unemployment benefits and allowances	343	331	384
Special benefits	107	165	201
Department of Transportation: Coast Guard: Retired pay	86	105	116
Civil Service Commission:			
Government payment for annuitants, employees health benefits	163	252	339
Payment to civil service retirement and disability fund	2,384	3,081	4,089
Intragovernmental transactions (-)	-2,421	-3,487	-4,135
Other agencies	38	45	48
Total retirement, unemployment, and accident compensa- tion for Federal employees	700	492	1,042

See footnotes at end of table.

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

Description	1974 actual	1975 estimate	1976 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration—Continued			
Civil—Continued			
Shared revenues and grants-in-aid:			
Department of Agriculture: Forest Service.....	115	121	119
Department of Housing and Urban Development: Community development grants.....	-----	225	1,300
Department of the Interior: Land management, territorial affairs, and other.....	179	247	293
Department of the Treasury:			
Customs Service.....	95	213	218
Internal Revenue Service.....	101	116	118
State and local government fiscal assistance trust fund.....	6,106	6,176	6,301
District of Columbia.....	187	221	254
Tennessee Valley Authority.....	31	37	50
Other agencies.....	31	33	34
Total shared revenues and grants-in-aid.....	6,844	7,398	8,687
Total other operation and administration, civil.....	11,690	13,095	15,013
National defense:			
Department of Defense—Military:			
Military personnel.....	23,355	24,631	24,588
Retired military personnel.....	5,128	6,281	6,884
Operation and maintenance.....	49	66	71
Family housing.....	63	72	49
Civil defense.....	65	74	72
Revolving and management funds.....	269	142	-491
Other ¹	-10	36	5
Selective Service System.....	60	47	48
Other agencies.....	13	16	39
Intragovernmental transactions (-).....	-7	-6	-6
Total other operation and administration, national defense.....	28,984	31,359	31,259
Total other operation and administration.....	40,674	44,454	46,272
Interest:			
On public debt.....	29,319	32,900	36,000
Other interest:			
On refunds: Department of the Treasury.....	220	239	390
On uninvested funds: Department of the Treasury.....	6	8	8
Intragovernmental transactions: special fund(-).....	*	*	*
Total other interest.....	226	247	398
Intragovernmental transactions (-):			
Interest on Government capital in enterprises (-).....	-1,119	-1,254	-1,229
Interest received by trust funds (-).....	-6,583	-7,769	-8,305
Receipts from off-budget Federal agencies: Interest on Government capital in enterprises (-).....	-155	-333	-436
See footnotes at end of table.			

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

Description	1974 actual	1975 estimate	1976 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Interest—Continued			
Proprietary receipts from the public (—).....	—198	—231	—314
Total net interest.....	21,490	23,560	26,114
Total other services and current operating expenses.....	89,875	98,804	106,200
National defense allowances:			
Department of Defense—Military: Allowances:			
Civilian and military pay raises.....			1,194
Other legislation.....			141
Total national defense allowances.....			1,335
Total current outlays.....	219,244	257,181	279,686
UNCLASSIFIED			
Allowances for:			
Energy tax equalization payments.....		500	7,000
Civilian agency pay raises.....			550
Contingencies.....		200	500
Employer share, employee retirement:			
Interfund transactions (—).....	—2,677	—2,960	—3,109
Receipts from off-budget Federal agencies (—).....	—642	—1,110	—779
Proprietary receipts from the public (—).....	—14,035	—13,784	—17,230
Total budget outlays.....	268,392	313,446	349,372

* Less than \$500,000.

† Includes both Federal funds and trust funds.

SPECIAL ANALYSIS E

FEDERAL CREDIT PROGRAMS

A significant part of the Federal Government's assistance to the public occurs through credit programs. Credit assistance is provided in a number of ways. Direct loans are made by Federal agencies whose activities are shown in budget totals, by Federal agencies outside the budget and by Government-sponsored, privately owned credit enterprises. Federal Government agencies also guarantee or insure private loans. Both explicit and implicit interest rate subsidies are provided. And, serving as intermediaries, government-sponsored credit enterprises improve access to credit markets for certain borrowers. Because of the complex institutional arrangements that have evolved, several forms of credit assistance are frequently combined in a single credit program, and sometimes a single transaction is aided by two or more programs.

This analysis is intended to serve as a basic factual resource rather than as an evaluation of programs and policies. Questions of great analytical difficulty remain unanswered about what are the effects of credit assistance and who benefits by what amounts. The discussion of interest subsidies later in this analysis is one approach to the evaluation of some aspects of Federal credit programs.

Constraints on space require consolidation of information relating to budget accounts and programs in this analysis. Greater detail is available elsewhere. The *Treasury Bulletin* provides data on outstanding direct and guaranteed loans in the most recently completed fiscal year or quarter for both accounts and programs within accounts.¹ Part IV of the Budget Appendix contains tables displaying disbursements, repayments and net outlays for each budget account containing direct loan transactions.

TRENDS AND DIRECTIONS

The total amount of credit provided under Federal auspices has risen rapidly during the past decade, both from the expansion of existing programs and the initiation of new ones. Table E-1 summarizes data on Federal participation in domestic credit markets over the last decade.

In 1965, funds advanced in U.S. credit markets to nonfinancial sectors totaled \$69.3 billion. Of this, \$8.9 billion, or 13% was advanced under the auspices of one or more Federal credit programs. In 1970, total funds advanced had risen to \$85.3 billion, and credit advanced under Federal auspices had risen to \$17.4 billion, or 20% of the total. Since that time, the rate of Federal participation in credit advanced has declined to the levels of the late 1960's, about 15%. The reduction in Federal participation in recent years is more nearly a

¹ See table GA 11-2, *Treasury Bulletin*.

Table E-1. FEDERAL PARTICIPATION IN DOMESTIC CREDIT MARKETS (billions of dollars)

	Actual										Estimates	
	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Total funds advanced in U.S. credit markets to nonfinancial sectors ¹ (excluding equities)	69.3	73.3	58.7	92.5	95.8	85.3	111.8	143.6	185.1	177.2	(^s)	(^s)
Advanced under Federal auspices	8.9	10.1	5.8	14.9	15.0	17.4	16.5	22.0	26.1	26.6	31.3	28.7
Federal participation rate (percent)	13	14	10	16	16	20	15	15	14	15		
Total funds raised in U.S. credit markets by nonfinancial sectors ¹	69.3	73.3	58.7	92.5	95.8	85.3	111.8	143.6	185.1	177.2	(^s)	(^s)
Raised under Federal auspices ²	10.2	8.7	1.1	31.3	11.3	16.4	32.3	39.7	46.9	24.1	57.9	78.9
Federal participation rate (percent)	15	12	2	34	12	19	29	28	25	14		
Funds raised through marketable securities												
Market total (including CD's) ⁶	25.6	29.0	27.7	52.2	36.5	52.2	72.7	79.4	86.9	95.7	(^s)	(^s)
Raised under Federal auspices ⁴	6.1	6.5	.6	27.2	6.3	18.1	25.1	30.8	41.0	25.1	62.4	80.0
Federal participation rate (percent)	24	22	2	52	17	35	35	39	47	26		
Market total (excluding CD's) ⁶	21.9	26.0	26.9	52.1	40.5	53.3	58.3	72.1	63.1	74.9	(^s)	(^s)
Raised under Federal auspices ⁴	6.1	6.5	.6	27.2	6.3	18.1	25.1	30.8	41.0	25.1	62.4	80.0
Federal participation rate (percent)	28	25	2	52	16	34	43	43	65	34		

¹ Source: Federal Reserve Board Flow of Funds Statement (fiscal year data).² Estimates from table E-10.³ Includes open market paper and bonds sold by financial intermediaries (compiled from FRB Flow of Funds data).⁴ Includes borrowing by sponsored enterprises and Federal Government plus all guaranteed loans in form of security market issues.⁵ Not estimated.⁶ CD's are negotiable commercial bank certificates of deposit of \$100 thousand and over.

measure of the explosive growth in total credit advanced than a slowing of Federal activity. Since 1970 total credit advanced has grown at an average annual rate of more than 20% compared with an average annual rate of growth of about 4% in the years 1965-70.² By comparison, funds advanced under Federal auspices during the same periods grew at average annual rates of 11% and 14%, respectively.

Another way to evaluate the Federal Government's impact on credit markets is to compare funds raised under Federal auspices, i.e., Federal and federally-assisted borrowing, to total funds raised in U.S. credit markets by nonfinancial sectors. Funds raised under Federal auspices, including those raised under Federal credit programs and those borrowed to finance deficits in the U.S. budget, accounted for approximately 14% of total funds raised in 1974, but are expected to rise rapidly to finance the deficits now budgeted for 1975 and 1976.

The credit component of the budget has become a less useful indicator of Federal credit activities. In part this has occurred as a result of the substitution of loan guarantee programs for direct loan programs. This greater dependence on loan guarantee programs, in which private credit markets are relied upon to provide the necessary capital while the Government assumes some or all of the risks normally borne by lenders, reduces direct Federal outlays for a given level of assisted loans. Federal credit assistance has also been moved off of the budget through the creation of Federal agencies that are, by statute, outside the budget, and of enterprises which are privately owned, but Government-sponsored.

A significant development of 1974 was the establishment of the Federal Financing Bank (FFB). This new debt management facility, authorized by Public Law 93-244 enacted December 29, 1973, has authority to purchase any obligation issued, sold, or guaranteed by a Federal agency. The bank's objective is to provide more efficient financing for these obligations, thereby reducing or eliminating unnecessary costs to the Government.

The FFB is authorized to borrow up to \$15 billion directly from the market and to borrow from the Treasury without stipulated limit. Through January 3, 1975, FFB had borrowed \$3.0 billion from the Treasury, and \$1.5 billion through short-term notes placed directly with the public.³

The FFB purchase of guaranteed loan issues, if continued, will reverse the earlier trend of increased reliance upon private credit facilities. It could also increase demands for credit under Federal guarantee programs because FFB can lend at interest rates generally lower than those available to guaranteed borrowers in private credit markets.

Table E-2 details FFB purchases of obligations. During 1975, FFB purchases are expected to total over \$13 billion of which approximately \$3.6 billion will be used for the temporary financing of mortgage loans acquired under the GNMA tandem plan.

² Total credit advanced is reflected in the outlays of Government-sponsored enterprises as discussed in Part 2 of the Budget.

³ Because it was created as an off-budget agency, the 1976 budget of the FFB is published along with budgets of other off-budget agencies in Part IV of the Budget Appendix.

Table E-2. FFB NET PURCHASES OF OBLIGATIONS

(in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Agency loan asset sales ¹	2	8,112	2,482
Guaranteed loans.....	100	2,467	3,292
Total loan purchases.....	102	10,579	5,774
Agency debt: ²			
On budget agencies.....		780	750
Off-budget agencies.....	500	2,207	3,415
Total net purchases of obligations ³.....	602	13,566	9,939

¹ Direct loans sold from agency portfolios are normally guaranteed at time of sale and reappear in guaranteed loan tables.

² These loans are intergovernmental debt transactions and are not loan outlays for the purposes of the credit analysis.

³ Net of repayments received by FFB.

Another significant credit development during 1974 and 1975 has been a large increase in credit assistance to housing. Restrictive monetary policies substantially reduced the supply of credit available to traditional mortgage lenders, triggering a drastic decline in residential housing construction. The Federal Government attempted to mitigate this impact through four special programs designed to provide an assured source of financing for individual mortgage loans and to reduce the cost of home buying. The Government National Mortgage Association (GNMA) was authorized to purchase for later resale to private investors \$9.9 billion of federally backed mortgages carrying below-market interest rates under the FHA-VA tandem plan. The Federal Home Loan Mortgage Corporation made commitments to purchase \$3 billion of residential mortgages with below-market interest rates, and was authorized to finance the purchase of these mortgages with Treasury borrowing, if necessary. The Federal Home Loan Bank System is making available \$4 billion at subsidized interest rates to savings and loan associations in order to facilitate additional mortgage lending. And GNMA has been authorized to purchase \$6 billion in conventional (nonfederally insured) mortgages carrying below-market interest rates, using authority provided by the Emergency Home Purchase Assistance Act of 1974.

The gross effect of these special programs will be to support nearly \$23 billion in loans financing the construction or purchase of housing over and above established housing credit programs. The net addition to housing credit will undoubtedly be less than \$23 billion.

DIRECT LOANS

Direct loans are made by Federal agencies whether or not they are included in the budget totals. They are financed by receipts or borrowings of the Treasury or the agency itself. The major Federal programs that provide direct loans are identified in tables E-3 and E-4.

Loan outlays of Federal agencies (which are defined net of repayments) are reflected in budget outlays, and are accounted for in the budget surplus or deficit. However, in recent years a number of

Table E-3. DIRECT LOAN COMMITMENTS AND GROSS DISBURSEMENTS
(in millions of dollars)

Agency or program	Commitments			Gross disbursements		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Funds appropriated to the President:						
International security assistance.....	878	353	509	430	507	896
International development assistance.....	522	680	595	646	770	800
Special financing facility.....	-----	-----	1,000	-----	-----	1,000
Agriculture:						
Farmers Home Administration.....	3,329	3,942	3,681	3,893	4,602	4,251
Commodity Credit Corporation.....	1,554	1,415	1,769	1,550	1,415	1,769
Public Law 480 long-term export credits.....	566	931	863	578	931	863
Commerce: Economic Development Administration.....	18	18	55	32	43	36
Health, Education, and Welfare:						
Health programs.....	127	117	59	100	128	117
Education programs.....	412	517	248	378	392	478
Housing and Urban Development:						
Low-rent public housing.....	32	161	52	623	675	650
Federal Housing Administration.....	521	569	576	361	345	380
Government National Mortgage Association:						
FHA/VA tandem plan.....	3,027	6,450	247	1,448	4,430	4,300
Conventional tandem plan.....	-----	6,000	-----	-----	600	2,000
Other.....	*	-----	-----	85	28	-----
Urban renewal fund.....	843	901	600	843	901	600
Other loans.....	56	67	-----	78	153	43
Interior.....	18	42	56	16	35	51
Transportation.....	23	26	41	47	29	41
Treasury.....	-----	-----	-----	-----	-----	-----
Veterans Administration:						
Housing loans.....	360	409	416	322	367	385
Insurance policy loans.....	147	265	237	147	265	237
District of Columbia.....	154	246	288	154	246	288
Federal Deposit Insurance Corp. ¹	-----	100	-----	-----	100	-----
Federal Home Loan Bank Board.....	5	2,508	8	-1	2,508	8
Small Business Administration:						
Business and investment loans.....	235	199	216	292	354	400
Disaster loans.....	369	200	160	201	212	183
Other agencies and programs.....	56	65	39	31	51	15
Total budget agencies.....	13,351	26,178	11,470	12,254	20,087	19,791
Off-budget direct loans:						
Export-Import Bank.....	4,905	5,570	5,375	2,538	3,032	3,342
Rural Electrification Administration..	758	900	758	802	869	873
Rural Telephone Bank.....	163	160	180	99	160	175
HUD: Housing for the elderly.....	-----	34	175	-----	2	100
Federal Deposit Insurance Corp. ¹	-----	1,723	-----	-----	1,723	-----
Federal Financing Bank ²	128	11,500	7,000	102	8,217	5,888
U.S. Railway Association.....	-----	100	450	-----	100	450
Environmental Financing Authority.....	-----	60	-----	-----	60	-----
Total off-budget agencies.....	5,954	20,047	13,938	3,541	14,163	10,828
Grand total.....	19,205	46,225	25,408	15,795	34,250	30,619

*Less than \$0.5 million.

¹ This represents loan assets acquired from the receivership of Franklin National Bank, paid for by assumption of the bank's loan from the Federal Reserve System. It was excluded from the budget outlays by FDIC because it was a noncash receivership transaction.

² Excludes FFB loans to Federal agencies (whether to on- or off-budget agencies) where these are debt transactions. See table E-2 for FFB total activity.

Table E-4. NET DIRECT LOAN OUTLAYS AND LOANS OUTSTANDING

(in millions of dollars)

Agency or program	Net loan outlays			Outstanding		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Funds appropriated to the President:						
International security assistance.....	258	329	674	1,469	1,798	2,472
International development assistance.....	562	610	591	10,994	11,604	12,195
Special financing facility.....	-----	-----	1,000	-----	-----	1,000
Agriculture:						
Farmers Home Administration.....	1,219	-1,923	-242	3,217	1,294	1,052
Commodity Credit Corporation.....	-1,013	-108	-67	1,708	1,600	1,533
Public Law 480 long-term export credits.....	289	838	778	3,438	4,276	5,055
Commerce: Economic Development Administration.....	14	21	15	476	497	510
Health, Education, and Welfare:						
Health programs.....	69	72	39	422	495	534
Education programs.....	355	365	433	2,942	3,307	3,740
Housing and Urban Development:						
Low-rent public housing.....	21	-----	-----	71	71	71
Federal Housing Administration.....	327	298	313	1,686	1,984	2,296
Government National Mortgage Association:						
FHA/VA tandem plan.....	-92	39	-269	283	322	53
Conventional tandem plan.....	-----	-----	-----	-----	-----	-----
Other.....	-187	-153	-144	3,199	3,045	2,901
Urban renewal fund.....	-83	50	50	90	140	190
Other loans.....	-25	51	-63	4,510	4,042	3,978
Interior.....	12	31	43	247	279	321
Transportation.....	46	29	41	171	200	241
Treasury.....	-137	-179	-169	3,908	3,729	3,560
Veterans Administration:						
Housing loans.....	-54	-343	-139	1,769	1,426	1,287
Insurance policy loans.....	42	163	137	1,090	1,253	1,389
District of Columbia.....	141	171	236	828	999	1,235
Federal Deposit Insurance Corporation.....	-----	100	-----	-----	100	100
Federal Home Loan Bank Board.....	-20	-2	*	103	101	101
Small Business Administration:						
Business and investment loans.....	126	86	127	1,531	1,618	1,745
Disaster loans.....	68	62	19	1,340	1,402	1,421
Other agencies and programs.....	-9	17	-19	552	568	550
Total budget agencies.....	1,929	614	3,372	46,132	46,227	49,599
Off-budget direct loans						
Export-Import Bank.....	1,325	1,673	1,802	7,911	9,584	11,385
Rural Electrification Administration.....	629	663	638	7,196	7,859	8,497
Rural Telephone Bank.....	99	160	173	144	304	477
HUD: Housing for the elderly ¹	-----	-3	94	-----	516	609
Federal Deposit Insurance Corporation ²	-----	1,723	-----	-----	1,723	1,723
Federal Financing Bank ³	102	10,579	5,774	102	10,681	16,455
U.S. Railway Association.....	-----	100	444	-----	100	544
Environmental Financing Authority.....	-----	60	-----	-----	60	60
Total off-budget agencies.....	2,155	14,955	8,925	15,353	30,827	39,750
Grand total.....	4,084	15,569	12,297	61,485	77,054	89,349

* Less than \$0.5 million.

¹ Transferred off-budget effective August 31, 1974, with outstanding loan balance of \$519 million.² See footnote 1, table E-3.³ See footnote 2, table E-3.

direct-lending agencies have been placed off-budget under provisions of law, hence do not enter into the budget. In some instances, their activities are not counted against the public debt ceiling. Since their effects are identical to those of direct loan programs included in the budget, they are also included in this analysis.

Repayments of outstanding loans are not classified as receipts in the budget, but are offset against new loan disbursements for loan revolving accounts and against general outlays in the case of non-revolving accounts. For this reason, the outlays of loan programs understate the level of new lending activity. Gross loan disbursements, which are shown in table E-3, provide a more complete measure of program activity levels.⁴

Tables E-3 and E-4 provide data on direct loan activity by major agency and program.⁵ Table E-3 reports loan commitments and disbursements for 1974-76. Commitments to make direct loans tend to forecast future financial flows and the economic activities they facilitate because commitments are often made in advance of the time when funds are actually disbursed. An apparent anomaly occurs in the relationship between commitments and disbursements for low-rent public housing and urban renewal notes. Disbursements are higher than commitments because they include short-term interim construction financing notes which are "rolled over" several times, while commitments are counted only once.

Direct loan disbursements by Federal budget agencies during 1975 and 1976 are expected to be almost double the level of 1974, principally as a result of the special assistance given to credit programs in support of housing, discussed earlier. The "special financing facility," listed under Funds appropriated to the President, shows estimated 1976 commitments and disbursements of \$1 billion in support of the creation of an international fund to help industrialized nations meet financial demands of higher energy costs.

The bottom panels of tables E-3 and E-4 detail the direct lending activity of off-budget Federal agencies. The major change in total disbursements over the 3-year period is attributable almost exclusively to the expanding activities of the Federal Financing Bank, also noted earlier.

Table E-4 shows net changes in direct loan programs, and outstanding loan levels for 1974-76. Wide fluctuations in total net loan outlays of budget agencies are primarily due to the initial disbursements of the special financing facility, and to wide swings in net disbursements of the Farmers Home Administration program. The large bulge in net loan outlays of off-budget agencies reflects initial activity of

⁴ Some direct loan disbursements, in fact, support guaranteed loan programs. This occurs because direct loan outlays are established when claims are paid under guaranteed programs and the Government receives either the original loan or the collateral.

⁵ Because 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. Government agency direct loan transactions disbursed or repayable in foreign currencies (in millions of dollars) are:

	1974	1975	1976
Outstanding, start of year.....	5, 244	2, 795	2, 654
Disbursements (dollar equivalents).....	8	6	—
Repayments—dollars.....	—2	—3	—3
Repayments—local currencies.....	—2, 240	—144	—140
Net disbursements.....	—2, 234	—141	—143
Adjustments.....	—216	—	—
Outstanding, end of year.....	2, 795	2, 654	2, 511

the Federal Financing Bank. The total of loans outstanding, both on- and off-budget, will continue to grow by about \$10 billion a year in 1975 and 1976, in sharp contrast to the very stable total levels of the years 1971-73.

Loan repayments and net loan disbursements reflect sales of direct loan assets as well as actual loan repayments and prepayments. Table E-5 identifies the major loan sales within the repayment totals. Prior to 1974 most loan sales were to private investors or to FNMA. Many sales are now being directed to the FFB.

Table E-5. **DIRECT LOAN ASSET SALES AND REPAYMENTS**

(in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Loan sales:			
Farmers Home Administration:			
Certificates of beneficial ownership.....	828	5,406	3,441
Other loans.....	1,343	386	-----
Housing and Urban Development, GNMA:			
FHA/VA tandem plan.....	1,503	4,372	4,550
Conventional tandem plan.....	-----	600	2,000
VA housing loans.....	209	568	378
Health, Education, and Welfare:			
Medical facilities loans.....	28	53	45
Health maintenance loans.....	-----	-----	30
Small Business Administration.....	-----	100	100
Subtotal, loan sales.....	3,911	11,485	10,544
Loan repayments and prepayments.....	6,414	7,988	5,874
Total repayment credits, budget agencies.....	10,325	19,473	16,418
Memos:			
Sales to FFB (included above).....	2	8,117	2,586
Farmers Home repurchases.....	1,201	900	650
Off-budget loan sales: Export-Import Bank.....	25	25	25

GUARANTEED LOANS

Guaranteed loans are loans made or held by private and State and local government lenders for which the Federal Government assumes part or all of customary credit risks. The major agencies and programs making loan guarantees are shown in tables E-6 and E-7. These loans include private loans under a few programs on which the Government pays a significant share of the interest costs, even though principal repayments are not assured. Federal long-term direct leases, and guarantees of private leases, are also classed as guarantees of the underlying credit. In some cases the Government guarantees less than 100% of the principal amount of the loan, but tables E-6 and E-7 measure the full principal amount of the loan, not just the Government's contingent liability.

Table E-6. LOAN GUARANTEE COMMITMENTS AND LOANS GUARANTEED
(in millions of dollars)

Agency or program	Commitments			Loans guaranteed		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Funds appropriated to the President:						
International security assistance.....	518	519	513	116	272	275
International development assistance.....	8	50	45	84	99	128
Agriculture:						
Rural Electrification Administration.....	974	1,386	1,446	-----	329	926
Farmers Home Administration.....	2,392	8,156	3,881	2,176	6,806	3,501
Commerce: Maritime Administration.....	1,266	1,389	981	488	1,588	1,697
Health, Education, and Welfare:						
Health programs.....	514	402	130	528	382	521
Guarantees of SLMA obligations ¹	250	40	335	250	40	335
Other education programs.....	1,160	1,400	1,760	1,520	1,690	1,786
Housing and Urban Development:						
Low-rent public housing ²	289	1,446	471	7,295	8,400	9,800
Federal Housing Administration.....	5,638	5,102	6,093	5,712	5,663	7,731
Urban renewal loans ²	58	950	-----	1,407	1,069	348
New communities fund.....	43	32	20	54	30	88
College housing.....	-----	-----	-----	75	100	-----
GNMA mortgage backed securities ¹	4,125	5,100	7,500	4,125	5,100	7,500
Interior.....	-----	46	43	-----	46	43
Transportation.....	-----	50	500	172	331	585
For: Washington Metropolitan Area Transit Authority.....	375	177	160	375	177	160
General Services Administration.....	221	412	161	221	412	161
Veterans Administration: Housing loans.....	7,760	9,403	10,072	7,888	8,876	9,484
Emergency Loan Guarantee Board.....	-----	-----	-----	70	30	-----
Environmental Protection Agency.....	-----	60	-----	-----	60	-----
Export-Import Bank.....	7,879	12,025	13,375	3,473	3,721	4,081
Small Business Administration.....	1,803	1,363	1,710	1,802	1,363	1,710
Other agencies and programs.....	4	10	5	4	190	5
Total (gross).....	35,276	49,521	49,200	37,836	46,775	50,865
Less secondary guarantees ¹	4,375	4,540	5,835	4,375	4,540	5,835
Total, primary guarantees.....	30,901	44,981	43,365	33,461	42,235	45,030
Less guaranteed loans acquired for direct loan portfolios:						
By budget agencies, GNMA.....	1,532	4,458	4,300	1,532	4,458	4,300
By off-budget Federal agencies:						
Environmental Financing Authority.....	-----	60	-----	-----	60	-----
Federal Financing Bank.....	102	10,710	5,774	102	10,710	5,774
By federally sponsored enterprises:						
Federal National Mortgage Association.....	5,282	6,495	7,707	5,351	5,435	4,044
Federal Home Loan Mortgage Corporation.....	292	292	314	292	292	314
Student Loan Marketing Association.....	144	146	335	144	146	335
Total primary guaranteed loans (adjusted).....	23,549	22,820	24,935	26,040	21,134	30,263

¹ HEW guarantees of SLMA obligations, and GNMA guarantees of private securities backed by FHA and VA-guaranteed mortgages result in double counting since underlying portfolio loans are also guaranteed. These are labeled in this table as secondary guarantees.

² Variance between commitments and guarantees for these programs occurs for the same reasons as in related direct loan programs.

Table E-7. NET LOANS GUARANTEED AND LOANS OUTSTANDING
(In millions of dollars)

Agency or program	Net loans guaranteed			Outstanding		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Funds appropriated to the President:						
International security assistance.....	54	202	200	298	500	700
International development assistance.....	78	93	119	519	612	731
Agriculture:						
Rural Electrification Administration.....		329	926		329	1,256
Farmers Home Administration.....	323	5,228	1,886	9,759	14,987	16,873
Commerce: Maritime Administration.....	406	1,488	1,581	1,666	3,154	4,753
Health, Education, and Welfare:						
Health programs.....	528	382	521	575	957	1,478
Guarantees of SLMA obligations ¹	250	40	335	250	290	625
Other education programs.....	1,148	677	1,058	5,884	5,561	7,618
Housing and Urban Development:						
Low-rent public housing.....	658	1,259	1,290	12,441	13,699	14,990
Federal Housing Administration.....	-1,565	-1,747	-253	85,312	83,565	83,312
Urban renewal loans.....	188	-132	-653	3,839	3,707	3,054
New communities fund.....	54	30	88	252	282	371
College housing.....	75	100		778	878	878
GNMA mortgage backed securities ¹	3,366	3,966	6,782	12,879	16,845	23,627
Interior.....		43	34		43	78
Transportation.....	165	328	583	352	681	1,157
For: Washington Metropolitan Area Transit Authority.....	375	177	160	820	997	1,157
General Services Administration.....	220	410	159	809	1,219	1,378
Veterans Administration: Housing loans.....	5,727	4,179	4,555	52,895	57,074	61,629
Emergency Loan Guarantee Board.....	70	30	-30	220	250	220
Environmental Protection Agency.....		60			60	60
Export-Import Bank.....	694	780	840	3,443	4,222	5,062
Small Business Administration.....	914	728	1,040	4,019	4,748	5,787
Other agencies and programs.....	-5	180	-5	130	311	306
Total (gross).....	13,724	18,831	21,217	197,159	215,990	237,207
Less secondary guarantees ¹	3,616	3,406	5,132	13,129	16,535	21,667
Total primary guarantees.....	10,108	15,425	16,085	184,030	199,455	215,540
Less guaranteed loans acquired for direct loan portfolios:						
By budget agencies: GNMA.....	-279	-114	-413	3,482	3,367	2,954
By off-budget Federal agencies:						
Environmental Financing Authority.....		60			60	60
Federal Financing Bank.....	102	10,579	5,774	102	10,681	16,455
By federally sponsored enterprises:						
Federal National Mortgage Association.....	3,726	3,722	2,406	25,251	28,973	31,379
Federal Home Loan Mortgage Corporation.....	168	207	287	1,869	2,076	2,363
Student Loan Marketing Association.....	144	146	335	144	290	625
Total primary guaranteed loans (adjusted).....	6,247	825	7,696	153,182	154,008	161,704

¹ HEW guarantees of SLMA obligations, and GNMA guarantees of private securities backed by FHA and VA-guaranteed mortgages result in double counting since underlying portfolio loans are also guaranteed. These are labeled in this table as secondary guarantees. GNMA also will guarantee securities backed by conventional mortgages in 1975 and 1976, and these are not deducted.

Table E-8. LOAN COMMITMENTS AND GROSS DISBURSEMENTS OF FEDERALLY SPONSORED CREDIT INTERMEDIARIES (in millions of dollars)

	Commitments			Gross disbursements		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Student Loan Marketing Association..	144	146	335	144	146	335
Federal National Mortgage Association ¹	5,883	7,910	10,140	6,368	6,290	5,413
Farm Credit System:						
Banks for cooperatives.....	6,821	7,396	7,823	6,821	7,396	7,823
Federal intermediate credit banks.....	9,166	10,443	12,001	9,166	10,443	12,001
Federal land banks.....	3,643	3,953	4,079	3,643	3,953	4,079
Federal Home Loan Bank System:						
Federal home loan banks.....	11,016	11,348	7,518	11,016	11,348	7,518
Federal Home Loan Mortgage Corporation: ¹						
Corporation accounts.....	3,781	5,000	3,900	1,272	4,694	3,690
Participation certificate pool ²	38	-----	600	38	-----	600
Total	40,491	46,196	46,396	38,468	44,270	41,459
Less secondary funds advanced from Federal sources:						
SLMA from FFB.....	100	190	335	100	190	335
FHLMC from FHLBB.....	3,000	-----	-----	-----	2,500	-----
Total primary lending	37,391	46,006	46,061	38,368	41,580	41,124

¹ Loans purchased at discount are recorded at acquisition cost.

² Participation certificate (pass-through type) sold against mortgage pools are counted as sales of loan assets and are therefore not reflected on the Corporation's balance sheet. (These are guaranteed by the Corporation's assets, but not by the Federal Government.)

Data on loan guarantees in tables E-6 and E-7 are comparable to tables E-3 and E-4 for direct loans.⁶ As with direct loans, the data in table E-6 on commitments permits some forecasting of future guarantee activity. It also gives some insight into program-by-program variations in the rates at which commitments are converted into guarantees.

Guaranteed loans, like off-budget direct loans, are not reflected in the budget at the time credit is extended. Budget impacts from loan guarantee programs, excepting additional subsidies and administrative costs, occur only when defaults require the Federal Government to pay lenders' claims. Defaults for older guaranteed loan programs have been relatively low, since older programs involved principally guarantees with liens on property. Newer programs generate higher risks because little or no collateral is pledged, and, as a result, they are experiencing much higher default rates.

Table E-7 summarizes the net changes in guaranteed loans and the total dollar value of guaranteed loans outstanding at the end of 1974-76 by agency and program. Total net guaranteed loans are expected to grow at a rapid pace, up to almost \$20 billion during 1976. However, the growth is much less spectacular after adjustments have been made for multiple guarantees of single loans, and for the conversion of guaranteed loans to direct loans of off-budget agencies. During the 1974-76 period, the FFB will play a major role in this conversion. Appropriate adjustments are made in tables E-6 and E-7.

⁶ Adjustments to eliminate double counting have been made in the data shown in tables E-6 and E-7 to make possible the aggregation of guaranteed loans with other forms of Federal credit assistance. Adjustments are required where the same credit extension is guaranteed twice, and where guaranteed loans are converted to direct loans. Additional adjustments are made for double counting in tables E-8 and E-9 for Government-sponsored credit enterprises.

Table E-9. NET CREDIT ADVANCED AND NET CREDIT RAISED BY FEDERALLY SPONSORED CREDIT INTERMEDIARIES (in millions of dollars)

	Net change			Outstanding		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
LENDING (Funds advanced)						
Student Loan Marketing Association..	144	146	335	144	290	625
Federal National Mortgage Association ¹	4,756	4,646	3,491	25,828	30,474	33,965
Farm Credit System:						
Banks for cooperatives.....	8	312	275	2,733	3,045	3,320
Federal intermediate credit banks..	1,529	1,351	1,495	8,481	9,832	11,327
Federal land banks.....	2,282	2,219	2,165	12,400	14,619	16,784
Federal Home Loan Bank System:						
Federal home loan banks.....	6,524	2,106	-2,482	17,703	19,809	17,327
Federal Home Loan Mortgage Corporation: ¹						
Corporation accounts.....	1,134	4,402	3,277	3,091	7,494	10,771
Participation certificate pool ² ...	-18	-55	475	780	725	1,200
Total lending (unadjusted)....	16,359	15,127	9,031	71,160	86,288	95,319
Less secondary funds advanced from Federal accounts:						
SLMA from FFB.....	100	190	335	100	290	625
FHLMC from FHLBB.....	-----	(³)	-----	-----	(³)	-----
Total primary lending.....	16,259	14,937	8,696	71,060	85,998	94,694
Memo: Federal Reserve banks.....	⁴ 1,777	(⁵)	(⁵)	⁴ 3,513	(⁵)	(⁵)
BORROWING (Funds raised)						
Student Loan Marketing Association..	250	40	335	250	290	625
Federal National Mortgage Association.....	4,866	4,705	3,200	25,232	29,937	33,137
Farm Credit System:						
Banks for cooperatives.....	138	182	249	2,555	2,737	2,986
Federal intermediate credit banks..	1,344	1,249	1,408	8,081	9,329	10,737
Federal land banks.....	2,043	2,120	1,985	11,164	13,284	15,270
Federal Home Loan Bank System:						
Federal home loan banks.....	6,464	1,116	-2,495	16,679	17,795	15,300
Federal Home Loan Mortgage Corporation:						
Corporation accounts.....	1,058	4,498	3,273	3,292	7,789	11,062
Participation certificates ²	-18	-55	475	780	725	1,200
Total borrowing (unadjusted)....	16,145	13,855	8,430	68,032	81,887	90,317
Less: Borrowing from other sponsored agencies:						
FHLB loans to FHLMC.....	1,209	-316	343	1,509	1,193	1,536
Other.....	44	-*	-6	129	129	122
Less: Borrowing from Federal agencies:						
FFB loans to SLMA.....	100	190	335	100	290	625
FHLB loans to FHL banks.....	-----	(³)	-----	-----	(³)	-----
Less: Loans to Federal agencies:						
Investments in Federal securities....	-35	413	23	644	1,055	1,078
FHL bank loans to FHLBB.....	5	-10	-----	10	-----	-----
Total borrowing (adjusted).....	14,822	13,579	7,736	65,641	79,219	86,955

*Less than \$500 thousand.

¹ See note (1), table E-8.² See note (2), table E-8.³ A loan of \$2,500 million made in August of 1974 is expected to be repaid prior to the end of the fiscal year.⁴ Federal Reserve bank's loans to member banks are excluded from totals since these are not estimated for fiscal years not yet completed.⁵ Not estimated.

GOVERNMENT-SPONSORED CREDIT ENTERPRISES OUTSIDE THE BUDGET

Several major Government-sponsored credit enterprises, created to facilitate the financing of selected programs, are privately owned and managed. All, however, are subject to some form of Federal supervision and consult the Treasury Department as required by law or by custom in planning the marketing of their obligations. The principal enterprises in this category are the Federal Home Loan Bank System, the three major components of the Farm Credit System, the Federal National Mortgage Association, and the Student Loan Marketing Association.

These enterprises differ from other private institutions in that they have been given special preferences, including rights to assess their constituents, various tax exemptions and preferences, and preferential eligibility rights for federally regulated institutions and others to invest in their securities. These, plus the enterprises' implied Federal backing, give their security obligations a preferred position in the debt securities market and enable them to borrow at interest rates well below the rates attained by the best grade corporate securities, and only moderately above the Government's own rates.

All Government-sponsored credit enterprises are essentially financial intermediaries, channeling funds from one sector of the capital market to another. They borrow mainly in the "agency sector" of the bond markets, and disburse these funds for specifically authorized purposes, either directly to lending establishments or by purchasing loans originated by them.⁷ Some of the agencies also serve as reserve facilities or provide secondary marketing functions, providing liquidity for constituent lenders during tight money periods by making temporary advances or buying portfolio loans for resale.

Funds lent by Government-sponsored credit enterprises are obtained mostly from borrowings in the capital markets. Sale of capital stock and retained earnings also provide a small portion of resources used for lending. Moreover, the timing of borrowing to lending varies from year to year. Tables E-8, and E-9 show both the lending and borrowing sides of these credit institutions.

SUMMARY OF FEDERAL AND FEDERALLY ASSISTED CREDIT
TRANSACTIONS

Table E-10 summarizes the components of Federal financial activity. Components within the aggregates change substantially from year to year, but this is often mainly a shift in the form of credit not affecting the totals. For example, much of the large rise in off-budget loans from \$2.2 billion in 1974 to \$14.9 billion in 1975 is due to large purchases of guaranteed loans by the new Federal Financing Bank. However, guaranteed loans decline to reflect this purchase. Similar effects occur on the borrowing side.

⁷ The program of the Government National Mortgage Association (a budget agency in HUD) to guarantee mortgage-backed securities achieves a very similar "intermediation" result. GNMA guarantees securities issued against privately held pools of federally guaranteed or insured mortgages. The FRB flow-of-funds data, for example, include this GNMA program within the definition of Government-sponsored credit enterprises. GNMA data appear in memorandum entries of tables E-6 and E-7.

**Table E-10. SUMMARY OF CREDIT ADVANCED AND CREDIT RAISED
UNDER FEDERAL AUSPICES (in billions of dollars)**

	Net change			Outstanding		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
LENDING (Credit advanced)						
Direct loans (from table E-4):						
On budget agencies.....	1.9	.6	3.4	46.1	46.2	49.6
Off-budget agencies.....	2.2	15.0	8.9	15.4	30.8	39.8
Guaranteed loans (primary, adjusted, from table E-7).....	6.2	.8	7.7	153.2	154.0	161.7
Loans by federally sponsored credit intermediaries (from E-9).....	16.3	14.9	8.7	71.1	86.0	94.7
Total, credit advanced to the public under Federal auspices ¹.....	26.6	31.3	28.7	285.7	317.1	345.7
Outside the budget.....	24.7	30.7	25.3			
BORROWING (Credit raised)						
Federal borrowing from the public (from table C-1).....	3.0	43.5	63.5	346.1	389.6	453.1
Guaranteed borrowing (same as guaranteed loans, above).....	6.2	.8	7.7	153.2	154.0	161.7
Borrowing by federally sponsored credit intermediaries (net, from table E-9).....	14.8	13.6	7.7	65.6	79.2	87.0
Total, credit raised from the public under Federal auspices ¹.....	24.1	57.9	78.9	564.9	622.8	701.7
Net credit advanced.....	2.5	-26.6	-50.2			

¹ Excludes Federal Reserve credit.

INTEREST SUBSIDIES

It was noted earlier that most Federal credit assistance is not reflected in the budget. The budget, therefore, does not measure the fiscal and allocational effects of credit programs. The data gathered for this analysis still fall far short of measuring the total effects of loans made under Federal auspices. This analysis cannot, for example, estimate the economic impacts of Federal credit assistance since there is no way at present to ascertain what the level of credit activity in each program area would have been in the absence of the Federal program.

Federal loan programs hold one characteristic in common: They provide credit on more favorable terms, particularly longer maturities, higher loan-to-value ratios, and lower interest rates, than are otherwise available for comparable private loans. The measure of these subsidies of Federal credit programs provides a useful index of likely program impact.

Table E-11. 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 ²	Commitments			Subsidy—Present value at 10 % discount		
	Percent	Years		1974	1975	1976	1974	1975	1976
DIRECT LOANS									
Funds appropriated to the President:									
Security assistance.....	7.5	15.2	1.8	879	353	509	122	49	70
Development assistance.....	2.8	40.0	6.1	515	664	575	306	395	342
Agriculture:									
Price support.....	7.1	1.4	1.7	1,554	1,415	1,769	34	31	39
CCC: Public Law 480.....	2.3	33.0	6.1	566	931	863	330	543	503
Farmers Home Administration.....	5.1	32.0	4.1	3,328	3,941	3,681	1,313	1,555	1,453
Rural Electrification Administration.....	5.0	35.0	4.3	921	1,060	938	380	437	387
Health, Education, and Welfare:									
Capital for student loans.....	2.7	13.8	4.7	353	369	29	123	129	10
Medical facilities.....	7.0	25.0	2.4	58	55	-----	13	12	-----
Housing and Urban Development:									
Urban renewal.....	6.0	3.5	2.7	843	901	600	65	70	46
Low-rent public housing.....	-----	1.5	8.4	32	160	52	4	18	6
Federal Housing Administration.....	7.0	30.0	2.5	521	569	576	126	138	139
Government National Mortgage Association.....	8.9	28.1	1.0	3,027	12,450	-----	276	114	-----
Housing for elderly.....	7.5	2.0	1.4	-----	40	175	-----	1	4
Veterans Administration:									
Insurance policy loans.....	5.0	15.0	3.4	155	193	174	41	51	46
Education loans.....	6.5	6.0	2.1	-----	80	72	-----	7	7
Housing.....	9.0	29.3	.9	360	409	436	30	34	36
District of Columbia loans.....	7.0	30.0	2.5	151	205	247	36	50	60
Export-Import Bank.....	7.8	8.0	1.4	4,905	5,570	5,375	368	418	403
Federal Financing Bank purchases of unsubsidized loans.....	8.0	23.9	1.6	100	745	1,587	15	110	234
Federal Home Loan Bank Board.....	7.9	30.0	1.8	-----	2,500	-----	-----	434	-----

Small Business Administration:									
Business and investment loans.....	7.3	7.6	1.7	235	199	116	21	18	10
Disaster loan fund.....	8.0	3.0	1.1	369	200	160	11	6	5
Other agencies and programs.....	7.5	12.5	1.7	5	273	214	1	33	26
Total—Major subsidized direct loans.....							3,614	5,672	3,826

GUARANTEED LOANS

Health, Education, and Welfare:									
Higher education facilities.....	3.0	15.0	4.6	293	324	1	105	116	-----
Health maintenance organizations.....	7.0	25.0	2.4	98	-----	100	22	-----	22
Medical facilities.....	7.0	25.0	2.4	416	402	-----	92	89	-----
Student loan insurance.....	7.0	13.0	2.0	1,040	1,260	1,584	154	186	234
Housing and Urban Development:									
Urban renewal.....	4.8	.7	6.1	58	950	-----	2	39	-----
Low-rent public housing.....	4.5	41.5	4.8	288	1,446	471	136	684	223
Interest subsidies on insured mortgages.....	3.6	21.8	4.7	1,763	615	620	732	255	258
Interior: Indian loans.....	8.0	10.0	1.3	-----	46	43	-----	4	3
Department of Transportation WMATA guarantees.....	7.0	40.0	2.7	375	177	160	101	48	43
Veterans Administration loan and property sales.....	8.0	29.0	1.7	209	568	356	34	92	58
Total—major subsidized guaranteed loans.....							1,378	1,512	841

AGENCY DEBT ISSUES FINANCED BY FEDERAL FINANCING BANK

Tennessee Valley Authority.....	8.0	3.0	1.1	-----	780	750	-----	22	22
Postal Service.....	8.0	3.0	1.1	500	500	1,550	14	14	45
United States Railway Association.....	8.0	15.0	1.4	-----	50	347	-----	6	38
Total debt issue subsidies ³.....							14	42	105
Grand total.....							5,006	7,227	4,772

¹ If terms vary, these are estimated averages.

² Based on 10% value of funds.

³ Interest savings are passed through to private users.

Only the interest subsidy is treated in this section, even though other subsidy elements may be substantial. Some subsidies not considered here are fees or premiums inadequate to cover costs of administration and losses, waivers of such fees or premiums, or forgiveness of part or all of loan principal. However, for the two programs financed with tax-exempt securities, the analysis includes that part of the tax subsidy that accrues to the borrower.

The subsidy element in any federally assisted loan, direct or guaranteed, is the difference between the cost of borrowing under the Federal program and that cost in private credit markets. These interest subsidies come about for several reasons. In some direct loan programs the interest rate established by statutory formula may be at rates below market rates. In other direct loan programs the laws provide for interest rates to be set to recover the costs of borrowing by the Treasury, thereby providing private borrowers loans at rates otherwise available only to the U.S. Government. In guaranteed loan programs, the guarantee itself subsidizes interest rates, since risk is a factor in credit costs.⁸ Additional subsidies, most frequently debt service payments, are often added to loan guarantees. These explicit subsidies sometimes cover both interest and principal amounts, but more often cover some designated share of the interest costs.

In evaluating the implicit subsidies in loan programs, it is necessary to estimate the interest rate that the borrower would have had to pay in private credit markets. It is difficult and sometimes impossible to determine what the unassisted interest rates would have been on a program-by-program basis. In this analysis 10% has been adopted as a reasonable estimate of the average private sector cost of borrowing for all activities and loan terms represented.

Because interest subsidies occur throughout the life of the loan, an evaluation of interest subsidies requires the measurement of a stream of payments. Since a simple total of future obligations would overstate the true value of the subsidy stream, the preferred measurement of the successive annual subsidy payments is in "present value" terms. This is accomplished by capitalizing (or discounting) future subsidies at an appropriate rate. A discount rate of 10% has been used in this analysis.

For any single year the budget reflects the current effects of interest concessions made to federally assisted borrowers on outstanding loans made in previous years. Table E-11, however, reports only on the present values of future subsidies provided by new loan commitments.

PROPOSED LEGISLATION

The Administration has proposed and is preparing legislation in a number of areas related to credit programs.

A \$150 million increase in loan guarantee authority under section 215 of the Regional Rail Reorganization Act of 1973 will be proposed to assist railroads currently in reorganization to maintain and improve facilities and equipment during the period that the United States Railway Association is planning the restructuring of rail services in the Northeast and Midwest regions of the Nation. In addition, the Department of Transportation will reintroduce legislation which would provide loan guarantees to these railroads for both fixed plant and rolling stock capital improvement programs.

⁸ In the absence of a more accurate basis for evaluation, "market-rate" guaranteed loans, i.e., those in which no explicit subsidies are incurred, are excluded from this analysis.

In the Administration's new surface transportation regulatory modernization legislation, Federal loan guarantees of \$2 billion will be proposed to enable railroads to undertake needed fixed plant and rolling stock improvements.

Other proposals include: Removal of the 5% interest rate ceilings on certain agricultural credit programs and legislation to permit rates charged borrowers to reflect prevailing market rates.

Legislation will be submitted to establish a special financing facility, a new multilateral loan fund, to assist industrialized nations to help meet financial requirements during the energy crisis. The U.S. contingent commitment to the fund is expected to be up to \$7 billion.

NEWLY ENACTED CREDIT LEGISLATION

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

Emergency Livestock Credit Act of 1974—Public Law 93-357

Authorizes FMHA to guarantee loans to cattlemen in an amount not to exceed \$2 billion at any time. The guarantee is limited to 80% of principal.

Housing and Community Development Act of 1974—Public Law 93-383

Authorizes a new coinsurance program for mortgage loans that will permit the sharing of risks between the Government and the lenders originating those loans. Required downpayments were lowered under all mortgage insurance programs, and most of these programs were extended to June 30, 1977.

Public Works and Economic Development Act of 1965—Public Law 93-423

In addition to previously authorized fixed asset loans and guarantees of loans for working capital, eligible borrowers can now receive direct working capital loans; guarantees of up to 90% of the outstanding balance of fixed capital loans made by private lending institutions; and guarantees of rental payments of leases for buildings and equipment at a rate of up to 90% of remaining rental payments.

Emergency Home Purchase Assistance Act of 1974—Public Law 93-454

Authorizes a temporary program under which the Government National Mortgage Association will purchase conventional (nonfederally insured) mortgages with below market interest rates.

Depository Institutions Amendments Act—Public Law 93-495

Gives the Federal Home Loan Bank Board the authority to borrow an additional \$2 billion. This authority expires in August 1975.

Vietnam Era Veterans Readjustment Assistance Act of 1974—Public Law 93-508

Sets up a Veterans Administration education loan fund as a revolving fund to be available for making loans to eligible veterans and dependents training under Chapters 34 and 35, Title 38, United States Code.

National Health Planning and Resources Development Act of 1974—
Public Law 93-508

Extends the direct loan, loan guarantee and interest subsidies provisions first enacted in the Hill-Burton Act Amendments of 1970. The new act removes the previous statutory limit of \$1.5 billion on the amount of outstanding loan principal that may be guaranteed or made directly by the Department of Health, Education, and Welfare. Unlike the prior law, the new act does not make taxable the interest on any loans made to public bodies and sold and guaranteed by HEW.

*Export-Import Bank Amendments of 1974—*Public Law 93-646

Returns the transactions of the Export-Import Bank to on-budget status effective October 1, 1976. The Export-Import Bank was removed from the budget in August 17, 1971.

SPECIAL ANALYSIS F

TAX EXPENDITURES

This special analysis focuses on certain provisions of the personal and corporate income tax that are designed to achieve particular economic and social objectives. These provisions result in tax expenditures, which are defined as revenue losses attributable to a special exclusion, exemption, or deduction from gross income or to a special credit, preferential rate of tax, or deferral of tax liability. Tax expenditures are one means by which public policy objectives are pursued by the Federal Government and, in most cases, can be viewed as alternatives to budget outlays, credit assistance, or other instruments of public policy.

Tax expenditures are being presented in the budget documents this year for the first time, as required by the Congressional Budget Act of 1974. The definition of tax expenditures used here is taken from the Act and its legislative history.

The specific objectives of tax expenditures are varied. Most tax expenditures are meant either to encourage certain economic activities or to reduce income tax liabilities for taxpayers in special circumstances. Among the economic activities encouraged by tax expenditures are investment, exporting, petroleum exploration and development, spending by State and local governments, and support of charitable institutions. The deductibility of medical expenses, casualty losses, and personal exemptions for the aged and blind are adjustments of tax liabilities to meet special circumstances.

DEFINING TAX EXPENDITURES

Income tax provisions resulting in tax expenditures are defined as exceptions to the "normal structure" of the individual and corporate income tax. They reduce tax liabilities for particular groups of taxpayers. Excluded from this analysis, by definition, are what could be called negative tax expenditures or tax penalties—i.e., exceptions to the normal structure of income taxes that result in increased tax liabilities for certain groups of taxpayers. Limitations on the deductibility of losses on the sale of assets, on the carryover of business losses, and on income averaging are examples. High, progressive tax rates could be viewed as creating negative tax expenditures for high income taxpayers.

The normal structure is nowhere defined in the tax code; the concept has emerged in recent years from congressional and public review of the U.S. tax system. It focuses on the definition of the income tax base and the rates applied to that base. A theoretically pure income tax could define income in economic terms, as receipts available to support consumption or additions to net wealth, plus the imputed value of in-kind consumption and imputed changes in net wealth. The

definition of income embodied in the normal tax structure and used to identify tax expenditures is not theoretically pure. The impracticality of making the necessary imputations is recognized and the treatment of individuals and corporations as separate taxpaying entities is accepted.

Features that specify the structure of progressive rates and that exclude low-income persons from tax liability are deemed a part of that normal tax structure. Existing rates are accepted as "normal" even though there is no theoretical foundation upon which to support any particular degree of progressivity in the individual income tax rate structure or any particular corporate income tax rate. When the rate structure is changed, for whatever reason, the new rate structure becomes, by definition, the new norm.

The existing rate structure for individuals, ranging from 14% to 70%, and the corporate tax rates cannot be presumed to exist independently from current tax expenditures. If major tax expenditure items were deleted and no other changes made in the tax system or in budget outlays, rates would undoubtedly be set at lower levels so as to maintain an appropriate fiscal policy.

If a set of tax rates, to be applied against a theoretically pure definition of income, could be agreed to on normative grounds, it would be conceptually possible to identify and measure both positive and negative tax expenditures against such a norm. If a single tax rate were taken as the norm, lower actual rates would result in tax expenditures and higher rates in negative tax expenditures or tax penalties. To illustrate the arbitrariness of accepting the existing rates as a norm, consider the maximum tax of 50% on earned income, introduced in 1972 by the Tax Reform Act of 1969. It is treated here as part of the normal structure because the great preponderance of all income is subject only to the 50% maximum rate. Had the rates applicable to unearned income been considered the norm, then the 50% maximum rate on earned income would have been identified as a tax expenditure.

To be more explicit, the following features of the tax system are defined for the purposes of this analysis to be part of the normal tax structure and therefore not to result in tax expenditures:

- *The progressive rate schedules for the individual income tax.* No tax expenditure results because some income is taxed at lower rates than other income when progressive rate schedules are applied to taxable income. The income averaging provision of the tax code is a part of the normal structure as it limits the impact of progressive rates when income fluctuates significantly over several years.
- *Personal exemptions and the minimum standard deduction.* These set levels of income, depending upon family size, that are not taxed by the individual income tax. However, deductions for additional personal exemptions for those over 65 and for the blind are tax expenditures because they depend upon more special circumstances. The percentage standard deduction, to the extent it exceeds the minimum standard deduction, is also a tax expenditure because it substitutes for itemized deductions.

- *Separate rate schedules for single and married taxpayers, married taxpayers filing separately, and heads of households.* Existing rates are accepted as part of the normal tax structure.
- *Deduction of business expenses.* The deduction of business expenses is necessary to determine taxable income. Tax expenditures do not ordinarily result from applying the definitions of business expenses prescribed by the Internal Revenue Code and Internal Revenue Service interpretative regulations. Tax expenditures do occur when the tax code permits business or investment expenditures that are capital outlays in economic terms to be treated as current expenses. A case in point is the expensing of research and development costs; they usually result in substantial future benefits. Expensing of such costs is treated here as a tax expenditure even though the Financial Accounting Standards Board has recently ruled that research and development costs should be expensed when incurred because no satisfactory basis exists for amortizing such costs in individual cases. All advertising expenditures are allowed as a current expense and even though future benefits may accrue, no tax expenditure results. Tax expenditures also result when the tax code permits depreciation to be taken on buildings sooner than allowed by straight-line depreciation, even though neither approach may reflect the true replacement cost or economic obsolescence.

In the case of depreciation on machinery and equipment the Internal Revenue Code allows as a depreciation deduction "a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence) on property used in trade or business or for the production of income." In the world of practical affairs, there is no single, correct number. Prospectively or even by hindsight, what is a "reasonable" allowance is always a question of judgment. Consequently, audit practices and standards were for many years not uniform and different taxpayers using the same property in the same way were often required to take substantially different deductions. The asset depreciation range (ADR) system, which became effective in 1971, was designed to make practices more uniform and realistic. It recognizes that circumstances vary from taxpayer to taxpayer and that no single number is necessarily correct. It defines a band within which estimates of useful life will be deemed to be "reasonable." That band is determined by reference to broad classes of property and ranges 20% up and 20% down from a published figure designated as the "asset guideline period." The ADR system is a mechanism to arrive at a "reasonable" allowance and does not result in a tax expenditure as defined above. The effect of inflation on the difference between the historical cost of assets, upon which depreciation deductions are based, and replacement costs exacerbates the difficulty of measuring true economic deterioration.

- *Exclusion of unrealized capital gains and losses.* Although the base of a theoretically pure income tax could include net capital gains

on an accrual basis, practical problems prevent identifying or taxing unrealized capital gains for many types of assets, and the normal structure taxes only wealth accruals which are "realized". For this reason the failure to tax unrealized gains during the holder's lifetime is not listed as a tax expenditure. Similarly, the failure to tax unrealized capital gains at death is treated here as part of the normal tax system and not a tax expenditure since no exchange or sale takes place. No estimate of the revenue loss due to the failure to tax capital gains at death could be made unless a specific technique of taxation is supposed such as averaging over a number of years.

- *Exclusion of imputed income from owner-occupied housing and other sources.* A theoretically pure income tax could include in its base an imputation for the income received in kind from the occupancy of a home owned by the taxpayer and imputations for in-kind income from the ownership of other durable assets including art collections, furniture, and books. Because of severe problems of imputing income to these assets, they are not considered in the computation of tax expenditures even though such exclusions of imputed income have an effect upon the allocation of the economy's resources, particularly with respect to housing.
- *Exclusion of gifts and bequests received.* The normal tax system subjects gifts and bequests, which are usually made within a family, to taxes separate from the income tax. The tax expenditure concept could be extended to gift and estate taxes, though to do so would go beyond the scope of this analysis. The exclusion of scholarships and fellowships, which are usually granted by institutions, is treated as a tax expenditure.
- *Exclusion of the value of government services received in kind.* The normal tax structure does not define the value of such services as food stamps, rent supplements, or Medicare as income.
- *Foreign tax credits.* To avoid the double taxation of income earned abroad, and thus accommodate the U.S. tax system to international norms, the normal structure of income taxes includes tax credits for foreign taxes paid.
- *Treatment of individuals and corporations as separate tax paying entities.* A theoretically pure income tax would integrate the taxation of personal and corporate income so as to avoid multiple taxation of any particular type of income. Only individuals would be taxed; corporate income would be taxed as dividends are paid and retained earnings imputed to shareholders. The normal tax structure accepts separate taxation.
- *Earnings of foreign corporations.* The general tax law does not seek to tax foreign entities or persons on income earned abroad. Thus, earnings of foreign corporations operating outside the United States are not taxable. The tax law does, however, tax U.S. shareholders on dividends from corporations, regardless of where those corporations are located or operated. The general principle, however, is that dividends are taxed only when received. For this reason, not taxing the income of controlled foreign corporations until received is part of the normal tax structure. The distinction between the normal tax structure and those exceptions leading to tax expenditures is clear-cut in most cases but in some

it is essentially arbitrary. The distinction should not imply that the features of the normal tax system are exempt from periodic analysis and review. Like tax expenditures, many features of the normal tax structure have major effects upon the level and composition of economic activity and the distribution of income; some features affect the everyday activities of corporations, trusts, and partnerships. Budget outlays, or other policy instruments, are alternative means to achieve the objectives of some of the features of the normal tax structure just as they are with tax expenditures.

This analysis does not attempt a complete listing of all the special tax provisions. Some items are excluded because there is insufficient information available on which to base a sound estimate. Some items are omitted because of their relatively small quantitative importance.

MEASURING TAX EXPENDITURES

The tax expenditure estimates reported below in table F-1 have been prepared by the Treasury Department and are based upon current law. For the fiscal years shown, they estimate the loss of budget receipts resulting from each of these particular features of the tax system.

Each estimate is based upon two major assumptions. The first is that only the tax provision in question is deleted and all other features of the tax system, including the structure of rates, remain unchanged. The hypothetical deletion increases the estimated taxable income for corporations or individuals; the existing marginal tax rates are then applied, giving the estimated tax expenditure. If, however, major tax expenditures were in fact deleted, in all probability some features of the normal income tax, such as rate structures or personal exemptions, would be changed so that the marginal rates used in making the estimates would no longer apply. Outlay or credit programs might also be altered or new tax expenditure items added. Such actions cannot, of course, be anticipated when individual tax expenditure estimates are made. In the case of itemized nonbusiness deductions for individuals each estimate of revenue loss is based upon the amount by which the standard deduction is exceeded.

Second, taxpayer behavior and general economic conditions are assumed to remain unchanged in response to the hypothetical change in the tax laws. This assumption is required to estimate tax expenditures but it is, in many cases, unrealistic. In particular, to the extent that tax expenditures designed to encourage certain economic activities have been successful, their elimination would presumably change taxpayer behavior. Thus, if the tax credit for investment were deleted, both taxpayer behavior and general economic conditions would be expected to change with a resulting impact on budget receipts generally. At the other extreme, if the special exemptions for the blind and those over 65 were dropped from the tax code, taxpayer behavior or general economic conditions would be unlikely to change.

For a variety of reasons tax expenditures can never be reported with the precision of actual budget receipts and outlays. Whenever possible, sample data from tax returns are used in making the estimates. These data are not, however, available for the years presented here, as these returns have not yet been filed or tabulated. The estimates must be made by extrapolating sample tax return data from

past years by means of other, more current information including the economic forecast used in estimating budget receipts and outlays (see Part 3 of the Budget). Moreover, many tax expenditures result from excluded income, not reported on tax returns. Any changes scheduled by existing law, such as the phasing in or out of specific provisions, are accounted for in the estimates. Any major changes in the provisions of the normal tax structures, such as a change in rates, would affect virtually all the estimates.

Several tax expenditure items are included in the base of the 10% minimum tax for tax preferences, introduced by the Tax Reform Act of 1969 in order to assure that individuals and corporations receiving such tax preferences pay a share of the tax burden. Among them are accelerated depreciation on real property, excess reserves of financial institutions for losses on bad debts, percentage depletion in excess of cost depletion, and one-half of net long-term capital gains. The minimum tax is, in general, applied to the sum of preference items reduced by a \$30 thousand exemption plus the income tax for the year. The estimates of tax expenditures presented in this analysis are net of any minimum tax liabilities associated with particular items.

Some tax expenditure items affect the timing of deductions or the receipt of taxable income. Examples are depreciation in excess of straight line for buildings and rental housing and the deferral of income by domestic international sales corporations (DISC's). These provisions create a permanent tax expenditure even though for a particular taxpayer, transaction, or asset, the special provision may really represent a deferral of tax. However, for a stable or growing business with an indefinite life, for the Government, and for the entire economy, the deferral of taxes continues forever under most of these provisions. Furthermore, as the economy grows, these amounts increase over time. Estimates for these items attempt to show the difference between budget receipts under the current law and budget receipts if a different law had always been in effect. These figures do not, therefore, estimate the revenue that could be obtained in the first years of a transition from one tax law to another. They are long-run estimates at the levels of economic activity assumed for the years in question.

Tax expenditure estimates cannot be simply added together to form totals for functional areas or a grand total. In some cases the revenue gain resulting from the deletion of two tax expenditure items would be greater than the sum of the individual estimates. For example, if interest income from State and local government securities were made taxable and capital gains were taxed at ordinary rates, many individuals would be pushed into higher tax brackets than if just one of these sources of income became fully taxable; the combined effect on revenue would be greater than the sum of the two separate estimates. In other cases, the revenue gain from the deletion of two items would be smaller than the sum of the individual estimates. For example, if the deductibility of mortgage interest payments and homeowner property taxes were both repealed, and the standard deduction unchanged, many individuals who now itemize their deductions would opt for the standard deduction, thus limiting the revenue gain. In general, elimination of multiple items that are personal deductions would

increase revenues by less than the simple sum of the revenue gains from eliminating each item measured separately since many taxpayers would switch to using the standard deduction. Conversely, elimination of multiple items that are exclusions from adjusted gross income would increase revenues by more than the sum of the individual gains as taxpayers would be pushed into higher tax brackets. Moreover, if several major tax expenditure items were eliminated, the assumptions of no changes in economic behavior and conditions or in other features of the tax system would have little validity.

A few aggregations of related tax expenditure items are presented and discussed in the next section; these aggregates have been specially estimated so as to account for the interactions referred to above. Where tax expenditures for both individuals and corporations result from the same tax code provision, the two estimates may appropriately be added together.

TAX EXPENDITURES BY FUNCTION

Estimates of tax expenditures are grouped together by functional category and presented in table F-1. The estimates are shown separately for individuals and corporations. Whenever possible particular tax expenditures have been classified according to the functional categories used for budget outlays. Many tax expenditures do not, however, fit into these categories and for that reason three special functional categories have been added: business investment, personal investment, and other tax expenditures.

In the case of tax expenditures designed to encourage certain types of economic activity, it should not be inferred that the benefits of the special tax treatment rest fully or even mostly with the corporations or individuals whose taxes are initially affected. Benefits are often passed on to others in the form of lower prices for particular goods or services or in other ways become widely diffused. For example, the deductibility of charitable contributions does not merely lower individual or corporate liabilities; the individuals and institutions that receive the contributions benefit also.

A brief description of each of the special tax provisions for which a tax expenditure estimate is shown in table F-1 follows.

National defense.—The supplements to salaries of military personnel by provision of quarters and meals on military bases and off-base quarters allowances for military families, and virtually all salary payments and reenlistment bonuses to military personnel serving in combat zones, are excluded from tax. Disability related military pensions are largely excluded from taxable income.

International affairs.—For citizens of the United States who are not employees of the Federal Government, income earned abroad up to \$20 thousand for each complete tax year is exempted from taxation if the taxpayer is a bona fide resident of a foreign country for an uninterrupted period that includes 1 full tax year or, if he is present there 510 days during a period of 18 consecutive months. After 3 years, foreign resident taxpayers can exclude up to \$25 thousand a

Table F-1. TAX EXPENDITURE ESTIMATES, BY FUNCTION*
(in millions of dollars)

Description	Corporations			Individuals		
	1974	1975	1976	1974	1975	1976
National defense:						
Exclusion of benefits and allowances to Armed Forces personnel.....	-----	-----	-----	650	650	650
Exclusion of military disability pensions.....	-----	-----	-----	65	75	85
International affairs:						
Exclusion of gross-up on dividends of LDC corporations.....	55	55	55	-----	-----	-----
Exclusion of certain income earned abroad by U.S. citizens.....	-----	-----	-----	90	95	100
Deferral of income of domestic international sales corporations (DISC).....	870	1,070	1,320	-----	-----	-----
Special rate for Western Hemisphere trade corporations.....	50	50	50	-----	-----	-----
Agriculture:						
Expensing of certain capital outlays.....	170	145	155	580	480	495
Capital gain treatment of certain income.....	30	20	25	520	280	340
Natural resources, environment and energy:						
Expensing of exploration and development costs.....	750	950	1,235	80	100	130
Excess of percentage over cost depletion.....	1,815	2,200	2,610	305	370	445
Capital gain treatment of royalties on coal and iron ore.....	5	5	5	-----	-----	-----
Timber: capital gain treatment of certain income.....	130	145	155	55	60	60
Pollution control: 5-year amortization.....	35	30	20	-----	-----	-----
Commerce and transportation:						
\$25,000 corporate surtax exemption.....	3,270	3,590	3,570	-----	-----	-----
Deferral of tax on shipping companies.....	35	35	40	-----	-----	-----
Railroad rolling stock: 5-year amortization.....	70	60	55	-----	-----	-----
Bad debt reserve of financial institutions in excess of actual.....	1,000	1,030	980	-----	-----	-----
Deductibility of nonbusiness State gasoline taxes.....	-----	-----	-----	865	850	850
Community and regional development: Housing rehabilitation: 5-year amortization.....	35	45	35	50	70	60
Education, manpower and social services:						
Child care facilities: 5-year amortization.....	5	5	5	-----	-----	-----
Exclusion of scholarships and fellowships.....	-----	-----	-----	195	210	190
Parental personal exemptions for student age 19 and over.....	-----	-----	-----	655	670	690
Deductibility of contributions to educational institutions.....	155	160	155	355	405	435
Deductibility of child and dependent care expenses.....	-----	-----	-----	230	240	250
Credit for employing public assistance recipients under work incentive program.....	5	5	5	-----	-----	-----
Health:						
Exclusion of employer contributions to medical insurance premiums and medical care.....	-----	-----	-----	2,940	3,340	3,745
Deductibility of medical expenses.....	-----	-----	-----	2,125	2,375	2,630
Income security:						
Exclusion of social security benefits:						
Disability insurance benefits.....	-----	-----	-----	235	260	280
OASI benefits for aged.....	-----	-----	-----	2,530	2,655	2,940
Benefits for dependents and survivors.....	-----	-----	-----	410	435	480
Exclusion of railroad retirement system benefits.....	-----	-----	-----	160	170	180
Exclusion of sick pay.....	-----	-----	-----	255	275	295
Exclusion of unemployment insurance benefits.....	-----	-----	-----	1,050	2,370	3,830
Exclusion of workmen's compensation benefits.....	-----	-----	-----	520	570	620
Exclusion of public assistance benefits.....	-----	-----	-----	75	85	90

See footnote at end of table.

Table F—1. TAX EXPENDITURE ESTIMATES, BY FUNCTION*—Continued
(in millions of dollars)

Description	Corporations			Individuals		
	1974	1975	1976	1974	1975	1976
Net exclusion of pension contributions and earnings:						
Employer plans.....				4,790	5,200	5,740
Plans for self-employed and others.....				230	410	710
Exclusion of other employee benefits:						
Premiums on group term life insurance.....				680	740	805
Premiums on accident and accidental death insurance.....				40	45	50
Privately financed supplementary unemployment benefits.....				5	5	5
Meals and lodging.....				175	180	190
Exclusion on capital gain on house sales if over 65.....				10	10	10
Excess of percentage standard deduction over minimum standard deduction.....				1,260	1,370	1,420
Additional exemption for the blind.....				15	15	15
Additional exemption for over 65.....				1,150	1,200	1,250
Retirement income credit.....				100	75	70
Veterans benefits and services:						
Exclusion of veterans disability compensation.....				485	525	550
Exclusion of veterans pensions.....				25	30	35
Exclusion of GI Bill benefits.....				290	255	250
General government: Credits and deductions for political contributions.....				10	25	50
Revenue sharing and general purpose fiscal assistance:						
Exclusion of interest on State and local debt.....	2,805	3,155	3,505	1,060	1,160	1,260
Exclusion of income earned in U.S. possessions.....	350	350	350	5	5	5
Deductibility of nonbusiness State and local taxes (other than on owner-occupied homes and gasoline).....				6,955	8,820	9,950
Business investment:						
Depreciation on rental housing in excess of straight line.....	105	115	120	375	405	420
Depreciation on buildings (other than rental housing) in excess of straight line.....	285	280	275	220	220	215
Expensing of research and development expenditures.....	605	630	660			
Capital gain: corporate (other than farming and timber).....	745	595	755			
Investment credit.....	3,690	4,160	4,420	880	905	950
Personal investment:						
Dividend exclusion.....				320	340	360
Capital gain: individual (other than farming and timber).....				6,150	3,280	4,165
Exclusion of interest on life insurance savings.....				1,420	1,620	1,820
Deferral of capital gain on home sales.....				255	285	315
Deductibility of mortgage interest on owner-occupied homes.....				4,870	5,590	6,500
Deductibility of property taxes on owner-occupied homes.....				4,060	4,660	5,270
Deductibility of casualty losses.....				255	275	300
Other tax expenditures:						
Exemption of credit unions.....	105	115	125			
Deductibility of charitable contributions (other than education).....	290	295	285	3,820	4,485	4,840
Deductibility of interest on consumer credit.....				2,435	2,885	3,460

*All estimates are based on the tax code as of January 1, 1975.

tax year. Certain allowances received by Federal employees working abroad are also tax-exempt.

The profits of a Domestic International Sales Corporation (DISC) are not taxed to the DISC but instead are taxed to the shareholders when distributed to them. This deferral is available for 50% of the export income of a DISC. To qualify as a DISC at least 95% of a corporation's gross receipts must arise from export activities. The resulting tax expenditure is expected to increase from \$0.9 million in 1974 to \$1.3 billion in 1976 as additional DISC's are created and a larger volume of export income is deferred.

Domestic corporations qualifying as Western Hemisphere Trade Corporations are entitled to a special deduction which reduces their tax rate by 14 percentage points from 48% to 34%.

When a foreign subsidiary of a U.S. corporation operating in a less developed country (LDC) repatriates dividends to its parent corporation, that income may be reported net of foreign income taxes paid. U.S. tax liability is then calculated on that net amount and the foreign tax is taken as a credit. For non-LDC corporations income must be reported gross of foreign taxes paid. The failure to "gross-up" the dividends by the amount of the foreign taxes paid results in a tax expenditure.

Agriculture.—Farmers, including corporations, may deduct certain costs as current expenses even though these expenditures were for inventories on hand at the end of the year or capital improvements.

Capital gains treatment applies to the sale of livestock, orchards, vineyards, and comparable agricultural activities. The decline in the estimate for 1975 is due to expected decreases in certain types of farm income.

Natural resources, environment and energy.—Certain capital costs necessary to bring a mineral deposit into production may be deducted as current expenses rather than spread over the useful life of the property. Included in this category are the intangible drilling costs of oil and gas wells, such as the wages of drilling crews, and the cost of developing other mineral deposits, such as expenditures for mine shafts, tunnels, and stripping.

Extractive industries may choose between two methods of recovering capital costs invested in the development of natural resources. Under one method, actual outlays, to the extent not immediately expensable, may be deducted as "cost depletion" over the productive life of the property, much as other businesses may take deductions for the depreciation of capital goods. Alternatively, businesses in the extractive industries may deduct a prescribed percentage of gross income (at rates ranging from 22% for oil and gas to 5% for certain minerals, but not more than 50% of net income) where "percentage depletion" exceeds "cost depletion." Percentage depletion is not limited to the cost of the investment as is cost depletion. The basis for "cost depletion" is reduced to the extent certain costs are recovered through expensing of exploration and discovery costs and intangible drilling costs. There is no comparable reduction in "percentage depletion" to allow for costs which are allowed as expenses. Because

of the interaction between these two items, a tax expenditure estimated on the assumption that both were eliminated would be significantly smaller than the sum of the two separate items.

Royalties from coal or iron ore deposits are treated as capital gains, rather than ordinary income.

The gain on the cutting of timber is taxed at rates applicable to long-term capital gains, rather than at ordinary income rates.

Taxpayers may elect to amortize a certified pollution control facility over a 5-year period rather than their longer actual useful life. If they so elect they may not claim the investment tax credit on the capital cost of the facility.

Commerce and transportation.—Corporations generally pay income tax at the rate of 22% on all taxable income plus a surtax of 26% on taxable income in excess of \$25 thousand. Each corporation therefore enjoys a surtax exemption of \$25 thousand. This exemption is intended to encourage small or new business.

Certain companies which operate U.S.-flag vessels on foreign trade routes receive an indefinite deferral of income taxes on that portion of their net income which is used for shipping purposes, primarily construction, modernization, and major repairs of ships.

Specified classes of railroad rolling stock are eligible for amortization over a 5-year period whether owned by railroad companies or by lessors, rather than their longer, actual useful life. If 5-year amortization is elected the investment tax credit cannot be claimed.

Commercial banks, mutual savings banks, and savings and loan associations are permitted to deduct and set aside additions to bad debt reserves in excess of actual loss experience and reasonable expectations as to future losses. Commercial banks may maintain a reserve of 1.8% of uninsured loans. The ratio will phase down to 1.2% in calendar year 1976. Mutual savings banks and savings and loan associations may deduct 45% of income in 1975, provided they maintain stipulated fractions of their assets in "qualifying assets," primarily residential mortgages. Under current law their maximum deduction will phase down to 40% in 1979 and thereafter.

Individuals who itemize their deductions may deduct State gasoline excise taxes paid. The deduction of any excise tax on gasoline used for business purposes does not result in a tax expenditure.

Community and regional development.—Taxpayers may, under certain conditions, elect to compute depreciation on rehabilitation expenditures for low and moderate income rental housing over a 5-year period. Qualified rehabilitation expenditures may not exceed \$15 thousand per dwelling unit and must exceed \$3 thousand.

Education, manpower and social services.—Taxpayers may elect to amortize over a 5-year period expenditures incurred in acquiring, constructing, reconstructing, or rehabilitating child care or on-the-job training facilities.

Recipients of scholarships and fellowships may exclude such amounts from taxable income, subject to certain limitations. The exclusion of

educational benefits under the GI bill are included in Veterans Benefits and Services.

Taxpayers may claim personal exemptions for dependent children 19 or over who receive income of \$750 or more per year only if they are full-time students. The student may also claim an exemption on his or her own tax return, in effect providing a double exemption, one on the parents' return and one on the student's.

Contributions to nonprofit educational institutions are allowed as a deduction for individuals and corporations. (See the discussion of other charitable contributions under Other Tax Expenditures.)

Child and dependent care expenses incurred to permit the taxpayer and his spouse to work may be taken as an itemized deduction up to a maximum of \$400 per month. The deduction is reduced by 50 cents for each dollar of adjusted gross income in excess of \$18,000 per year.

A credit is allowed against income tax liability equal to 20% of first-year wages and salaries of employees placed in employment under the work incentive program. The credit for a taxable year cannot exceed \$25 thousand plus 50% of the excess over that amount.

Health.—Payments by employers for health insurance premiums and other medical expenses are deducted as business expenses by employers and excluded from income by employees. The exclusion from employees' income gives rise to the tax expenditure.

Medical expenses in excess of 3% of adjusted gross income including expenditures for prescribed drugs and medicines in excess of 1% of adjusted gross income may be deducted by individuals as itemized nonbusiness deductions. Individuals may also deduct half of the premiums they pay for medical care insurance up to a maximum deduction of \$150 per year, without regard to the 3% limitation.

Income security.—Several forms of government transfer payments to individuals are excluded from taxable income. The implicit Federal revenue loss for each of these items is indicated in table F-1.

Payment of social security disability insurance benefits assumes almost total inability to work. If the taxpayer had no other source of income these payments, even if taxable, would not be sufficient to result in any significant tax liability, given personal exemptions and minimum standard deduction. Since some recipients have property income, earnings during the year of disablement, or may file jointly with working spouses, a tax expenditure results from this exclusion. Social security payments received by the aged and dependents and survivors are tax-exempt. Payments received under the railroad retirement system are also tax-exempt.

Unemployment insurance and workmen's compensation benefits are tax-exempt. The former are expected to grow substantially during 1975 and 1976.

Public assistance payments from State and local governments and the Federal supplemental security income program are also excluded.

Certain payments, up to \$100 per week, financed by an employer in lieu of wages during periods of employee injury or sickness are excluded from the employee's taxable income.

Certain contributions to pension plans paid by employers, and amounts set aside by the self-employed, are excluded from current individual gross income. Income earned by investing these funds is not taxable currently. The resulting tax expenditures are composed of two elements, lower effective tax rates after retirement, due to lower incomes and to special tax provisions enjoyed by the aged, and the excess of current contributions and investment earnings over amounts paid out in benefits. The Employee Retirement Income Security Act of 1974 permits the self-employed to increase their deductible contributions to their own retirement plans to 15% of their income, up to a maximum of \$7,500 per year, from a 10% and \$2,500 limit under prior law. The act also permits employees not covered by an employer's plan to deduct annual contributions of 15% of compensation, up to a maximum of \$1,500. These changes in the law are reflected in the estimated tax expenditures shown in table F-1.

In addition to pension plans, many employers provide other employee benefits that are excluded from employee income. The employer's share of these benefits are deductible business expenses.

A taxpayer 65 or older may exclude from gross income any capital gain allocated to the first \$20 thousand of the adjusted sales price on a sale of his personal residence. This is a once in a lifetime exclusion.

The percentage standard deduction—15% of adjusted gross income up to a limit of \$2 thousand—sets an upper limit on the tax liability for many taxpayers, predominately in the lower and middle income range, and for that reason is classified under Income Security. The standard deduction is a substitute for itemizing deductions; the estimates shown are for the amount by which the standard deduction exceeds the minimum standard deduction of \$1,300 or the itemized deductions that would be taken in the absence of this provision, whichever is greater. This provision also encourages taxpayers to use the simplified Short Form 1040A. If simplification were the only objective of this provision it would be classified under Other Tax Expenditures.

Additional personal exemptions of \$750 may be deducted by taxpayers who are over 65 or who are blind. These additional exemptions may not be claimed for the taxpayer's dependents.

A retirement income tax credit may be claimed by individuals who are retired, or over age 65, of up to \$228.60 (15% of \$1,524) for a single person, or \$342.90 (15% of \$2,286) for a married couple, based on retirement income from all sources except social security, railroad retirement, or other tax-exempt benefits. The provision was designed to permit taxpayers with taxable retirement income a tax benefit approximately comparable to that accorded recipients of social security and similar tax-exempt benefit payments.

The aggregate effect of excluding social security and railroad retirement benefits for the aged, the additional exemption for those over 65, and the retirement income credit are revenue losses of \$4.3 billion in 1974, \$4.7 billion in 1975, and \$5.1 billion in 1976. These aggregates are greater than the sum of the individual estimates because more elderly persons would be pushed to taxpaying levels of income or into higher tax brackets if all of these items were deleted from the tax code.

Veteran benefits and services.—All compensation due to death or disability and pensions paid by the Veterans Administration are excluded from taxable income. GI bill benefits are also excluded.

General government.—Political contributions up to a maximum of \$100 (\$200 in the case of joint returns) can be deducted or tax credits taken up to one-half of contributions but limited to \$25 (\$50 on joint returns). Prior to 1975 the maximums were half as large.

Revenue sharing and general purpose fiscal assistance.—The interest on State and local government debts is excluded from Federal taxation. Both corporations, mainly commercial banks, and individuals receive this tax-exempt income. As a result, these governments are able to sell debt obligations at a lower interest cost than would be possible if such interest were subject to tax.

U.S. citizens and corporations receiving income from sources in a U.S. possession may, under certain conditions, exclude such income from tax.

The deductibility of nonbusiness State and local taxes provides indirect assistance to these governments. The deductibility of property taxes on owner-occupied homes and excise taxes on gasoline are classified elsewhere. The estimates shown here are primarily for the deductibility of State and local income and sales taxes.

Business investment.—To the extent that allowable depreciation for tax purposes exceeds the rate at which assets actually depreciate, business tax liabilities are deferred. Businesses may employ a variety of depreciation schedules for tax purposes, some of which cause a much larger part of asset values to be written off in early years of the asset's useful life than do others. The revenue costs of allowing buildings and rental housing to be depreciated for tax purposes by methods that reduce asset value more rapidly than straight-line depreciation (the method typically used in financial statements) are shown.

Research and development expenditures typically result in new products or processes, cost reductions, or other outcomes the benefits from which will, in nearly all cases, accrue for well over 1 year. For tax purposes businesses may deduct all research and development expenditures in the year during which they are incurred. The tax expenditure is estimated on the assumption that such expenditures are amortized over a 5-year period.

Corporations may elect a 30% alternative tax rate on capital gains. The tax expenditure is estimated on the assumption that these gains would otherwise be taxed at 48%.

An amount equal to 7% of the cost of qualifying property having a useful life of over 7 years (generally, tangible personal property used in a trade or business) may be offset directly against income tax liability. Lower rates apply to property with useful lives of 3 to 7 years. Public utility property qualifies for a maximum credit of only 4%. The maximum credit which may be claimed in a taxable year is limited to \$25 thousand plus one-half of the excess of tax liability over \$25 thousand. Excess credits may generally be carried back 3 taxable years and forward 7 taxable years, after which they expire if still unused.

Personal investment.—Grouped together in this category are a number of tax expenditure items that affect individuals as investors and holders of both real and financial assets.

The first \$100 (\$100 per taxpayer on a joint return) of dividend income may be excluded from taxable income.

Half of the gains from the sale of capital assets held more than 6 months is excluded from income. Long-term capital losses may be deducted from gains but no more than \$1 thousand of long-term losses may be deducted in any 1 year from ordinary income. No special recognition is made of the effect of inflation on the value of assets. Capital gains treatment under present law is complex for a number of reasons. It could be contended that:

1. Full taxation of realized capital gains, even with full taxation at death, could result in greater postponement of lifetime gains thereby limiting tax revenues;

2. With a different treatment of capital gains another approach to the corporation tax might provide for some integration of corporate and individual taxes; taxpayers who sell corporate shares might be given some credit for taxes paid by the corporation on the retained income which is reflected in the value of those shares;

3. Averaging of capital gains over the length of the holding period would lower the estimated revenue costs.

The estimate is computed on the assumption that the half of long-term gains currently excluded were taxed at ordinary rates.

Life insurance policies, other than term policies, generally have a saving element in them. Savings in the form of policyholders' reserves are accumulated from the premium payment, and interest is earned on these policyholders' reserves. Such interest income is taxable neither as it accrues nor as an element of death benefits.

Capital gains on the sale of a home are recognized only to the extent that the "adjusted sales price" exceeds the cost of a new home purchased and occupied within a year before or after the sale (if a new house is constructed it must be occupied within 18 months after the sale). The "adjusted sales price" is the amount realized (gross proceeds minus selling expenses) minus qualified "fixing up" expenses. A loss on a sale of a home is not deductible.

Owner-occupants of homes may deduct mortgage interest and property taxes (but not maintenance outlays or depreciation because the in-kind income from home ownership is not recognized) as itemized nonbusiness deductions. The tax expenditure from these two items combined would be \$11.3 billion for 1976. This is less than the sum of the two separately because if both were deleted more taxpayers would save by using the standard deduction.

Taxpayers may deduct as an itemized nonbusiness deduction the amount in excess of \$100 for each loss due to fire, theft, or other casualty to the extent not compensated by insurance or other payments. This may encourage individuals to hold assets that are uninsurable or to self-insure.

Other tax expenditures.—Credit unions are exempt from Federal income tax.

Interest paid on consumer credit for any purpose is allowed as an itemized nonbusiness deduction for individuals.

Contributions to charitable, religious, or certain other nonprofit organizations are allowed as an itemized deduction for individuals generally up to 50% of adjusted gross income. Taxpayers whose contributions to charitable or educational organizations are in the form of capital assets, usually securities, which have appreciated in value above their cost, obtain a deduction for the contribution at the appreciated value of the asset without taxation on the appreciation in value. Contributions to educational institutions are reported under Education and Manpower.

Corporations may deduct charitable contributions (including those made to educational institutions which are separately reported in the Education and Manpower category) up to 5% of their income. In the absence of this provision of the tax code some of these contributions might be deductible as business expenses.

PROPOSED CHANGES IN TAX EXPENDITURES

The tax proposals that are a part of the 1976 budget would reduce nearly every estimated tax expenditure for 1975 and 1976 presented in table F-1. This is because the proposed reductions in individual and corporate tax rates and the increase in the minimum standard deduction would change income tax withholding on June 1, 1975. No attempt will be made here to reestimate each of the items.

Several proposals do affect particular tax expenditures more specifically and these will be briefly discussed. The estimates for these specific changes are shown in table F-2.

Table F-2. ESTIMATES OF PROPOSED CHANGES IN TAX EXPENDITURES
(in millions of dollars)

Description	Corporations		Individuals	
	1975	1976	1975	1976
Excess of percentage standard deduction over minimum standard deduction.....				-1,420
Investment credit.....	1,000	2,300	200	600
Residential conservation tax credit.....				500

Excess of percentage standard deduction over minimum standard deduction.—The proposed increase in the minimum standard deduction to \$2,000 (\$2,600 on a joint return) would raise the amount of the minimum standard deduction above the current \$2,000 maximum for the percentage standard deduction. This change in the normal tax structure would eliminate the tax expenditure that exists under current law. The revenue gain that would result from eliminating the percentage standard deduction is more than offset by the tax cut associated with increasing the minimum standard deduction. Eliminating the percentage standard deduction is not proposed apart from increasing the minimum standard deduction.

Investment tax credit.—There would be an increase for 1 year in the investment tax credit to 12% for all taxpayers, including utilities (which presently have, in effect, a 4% credit). Utilities would continue to receive a 12% credit for 2 additional years for qualified investment in electrical generating facilities which are not oil or gas fired.

With respect to utilities, it includes a temporary increase in the amount of credit which may be used to offset income tax. Under current law, not more than 50% of the income tax liability for the year may be offset by the investment credit. Since many utilities have credits they have been unable to use because of this limitation, under this proposal utilities would be permitted to use the credit to offset up to 75% of tax liability for calendar 1975, 70% for 1976, and so on, until 1980, when they would in five annual steps have returned to the 50% limitation applicable to industry generally.

The 12% credit would be available with respect to property placed in service during calendar 1975 and to property ordered during 1975 if placed in service before the end of 1976. The credit would also be available to the extent of construction, reconstruction, or erection of property by or for a taxpayer during 1975, without regard to the date ultimately placed in service. Similar rules would apply to investment in electrical generating facilities that are not oil or gas fired for which the 12% credit would continue through 1977.

Residential conservation tax credit.—A 15% tax credit retroactive to January 1, 1975, for the cost of certain improvements in thermal efficiency in residences would be provided. Tax credits would apply to the first \$1 thousand of expenditures and could be claimed during the next 3 years for an aggregate of \$150.

Deductibility of dividends on qualified preferred stocks.—To increase incentives for raising needed capital in the form of equity rather than debt it is proposed that dividends on qualified preferred stock be deductible for determining corporate income. Such dividends would not qualify for the 85% dividends received deduction.

SPECIAL ANALYSIS G

PRINCIPAL FEDERAL STATISTICAL PROGRAMS

An overview of major statistical programs of the Federal Government is presented in this special analysis.

In the 1976 budget there is a special emphasis on improvements in statistics which are needed by economic policymakers, especially those series which have deteriorated because of inflation or which will aid in understanding inflation better. A second area of emphasis is improvement in local area statistics; in particular, improved estimates of unemployment, estimates of children in poverty by State, and current population estimates for revenue sharing. Allowance is also made for selected improvements in other major program areas.

The 1976 budget for current statistics provides for an increase of 10% from \$449.3 million to a level of \$492.5 million. The increase for 1976 includes \$7.4 million to respond to the needs related to inflation and \$11.5 million for improvements in local-area measurement. Together these initiatives account for 44% of the total increase in current programs.

Total periodic programs will increase in 1976 from \$33.2 million to \$36.9 million. The major focus of periodic programs during 1976 will be active planning for the 20th decennial census and the 1977 economic censuses and data processing and analysis associated with revision of the Consumer Price Index and the 1974 Census of Agriculture.

The Office of Management and Budget, with the cooperation and participation of the major statistical agencies, is increasing its efforts to improve planning for statistical programs. One of the objectives is the development of a comprehensive plan for statistical programs in the 1980s. In 1976 considerable effort will be devoted to the planning process associated with statistical programs with the expectation that by the conclusion of calendar year 1977 a comprehensive plan for long-range development of statistics will be available for consideration.

A number of interagency committees are presently working to resolve statistical issues relating to problems such as the definition of poverty levels, development of improved productivity measures, establishing data specifications for the 1980 Census, and making improvements in specific data series.

Table G-1. OBLIGATIONS FOR PRINCIPAL CURRENT STATISTICAL PROGRAMS, BY BROAD SUBJECT AREAS¹ (dollars in millions)

	1974 actual	1975 estimate	1976 estimate
Labor statistics.....	61.9	78.7	82.9
Prices and price indexes.....	13.4	17.5	19.6
Production and distribution statistics.....	67.9	78.8	90.2
Housing and construction statistics.....	13.9	15.0	17.1
National economic and business financial accounts.....	35.7	36.6	40.1
Energy statistics ²	8.7	28.0	28.4
Environmental statistics.....	25.8	32.2	31.9
Subtotal for economic and related statistics.....	227.3	286.8	310.2
Health statistics.....	82.6	90.0	94.1
Population statistics.....	6.5	5.5	6.8
Educational statistics.....	15.6	21.4	38.7
Criminal justice statistics.....	27.0	30.5	29.3
Income maintenance and welfare statistics.....	12.9	15.1	13.4
Subtotal for demographic, social, and related statistics.....	144.6	162.5	182.3
Total, principal current programs.....	371.9	449.3	492.5

¹ Classifications are based on primary use of statistics.² Includes items classified differently in previous years.

IMPROVEMENTS IN STATISTICS RELATED TO INFLATION

The preparation of the 1976 statistical budget reflected an important review of the immediate needs of economic policymakers undertaken by the Subcommittee on Economic Statistics of the Economic Policy Board. The subcommittee was particularly concerned with the quality of statistical measurement of: (1) business inventories, (2) export-import prices, (3) wholesale prices, (4) farm income, and (5) wage rates, earnings, and employment levels. The 1976 budget proposes program increases in each of these areas of concern.

Business inventories (\$0.6 million).—The measurement of inventory change has long been troublesome in the estimating of gross national product data. Recent patterns of rapid price changes have highlighted deficiencies in current inventory estimates. Several specific projects have been included in the Social and Economic Statistics Administration's budget to improve the statistics in this difficult area.

A mandatory annual survey of inventories of merchant wholesalers will be introduced for rebenchmarking the monthly inventory estimates and improving the overall quality of the monthly survey.

The Census Bureau will conduct a project to determine whether the monthly wholesale inventory panel could be based on a fixed panel of reporters. The present methodology exhibits a bias in wholesale inventory estimates which is suspected to be due to the rotating of firms into and out of the sample.

A detailed survey of the recordkeeping practices of manufacturing firms will be taken to explore inventory valuation methods and the frequency of physical inventory calculations with special attention to some of the more volatile industries.

A feasibility study will be conducted to see whether the monthly retail inventory panel can be expanded from 2,000 reports per month to 15,000 reports per month by adding the inventory questions to the monthly retail sales survey without reducing the quality of the retail trade estimates.

Expert consultants and Government statisticians will be employed to explore in depth the most pressing issues in inventory statistics methodology and to make recommendations concerning future avenues of improvement.

Export-import prices (\$1.2 million).—With the growing importance of foreign trade and the policy implications of rapidly changing world prices, it is important to improve export-import price data. The 1976 budget includes funds to speed up the program of the Bureau of Labor Statistics so that 60% of exports and 40% of imports will be covered by the end of the period.

Wholesale prices (\$0.5 million).—Planned improvements in the Wholesale Price Index for 1976 include expansion of the use of probability sampling, accelerating the program to obtain transaction prices where list prices are currently being reported, and improvement in the underlying concepts including more attention to the stage of processing approach. New weights, based on the 1972 economic census, will be employed.

Farm income (\$3.6 million).—Estimates of farm income for 1973 were significantly revised in June 1974. Some of the important components are available currently while others, available only with a long time lag, must be estimated based on the continuation of past relationships. When the data which had been estimated became available in 1974, it appeared that past relationships had been broken in serious and significant ways. For example, rapid changes in prices caused farmers to change their inventory behavior. New steps are therefore required to develop more timely and accurate statistics to measure this phenomenon.

The highest priority for the Economic Research Service of the Department of Agriculture in 1976 will be the development of an annual economic survey of farmers. This survey will include data on marketing patterns, ownership of inventories on and off the farm, purchases and sales of livestock, inventories of purchased inputs at the end of the taxable year, and the cost of production of cattle and hogs. The Statistical Reporting Service will develop and maintain a comprehensive list sample frame of farmers for this and other surveys.

Wages, earnings, and employment (\$1.5 million).—In order to develop more consistent and complete data on wages and employment to meet the needs of policymakers and private decisionmakers, the Bureau of Labor Statistics will undertake or continue several projects in 1976.

The General Wage Index program will be expanded from its current industry coverage, which focuses on the private nonfarm sector, toward the goal of including all sectors of the economy. Research on nonwage costs will be undertaken.

Resources are recommended for the current employment statistics program to conduct research and experimentation to test alternative approaches for counteracting a downward bias in current employment estimates believed to be due to failure to include new establishments in the program sample during the period of initial hiring. In addition, the quality of the sample used for preliminary estimates will be strengthened and research on sample and estimation methodology will be conducted. Instead of mail, teleprocessing techniques will be used by States to send data to the Bureau of Labor Statistics.

Funds are recommended to develop revised procedures for processing State quarterly employment and payroll data (the ES-202 program) and for monitoring State performance to improve the timeliness and quality of the data, which are important for making wage estimates in the national accounts and for benchmarking the current employment statistics (790) program.

IMPROVEMENTS IN LOCAL-AREA ESTIMATES

Population, per capita income, and government expenditure estimates.—In the past few years there has been significant legislation which requires the Census Bureau to provide official estimates between censuses. The Federal Election Campaign Act of 1971 (Public Law 92-225), for example, requires annual estimates of the voting age population by congressional district. General revenue sharing requires periodic estimates of the population, per capita income, and government revenue for approximately 39,000 governmental jurisdictions. The Census Bureau will generate the required estimates using a variety of sources such as birth and death registration, school enrollment, building permits and demolitions, social security data, Immigration and Naturalization Service data, Internal Revenue Service data, and other information available from local sources.

In 1976 the Census Bureau will obligate approximately \$2.3 million, an increase of \$0.6 million over the 1975 level, to generate population estimates and estimates of per capita income; an additional \$1.3 million will be used to conduct a survey of revenues of States and local units of government.

Unemployment estimates.—National unemployment estimates are developed through the Current Population Survey (CPS), a household survey conducted by the Bureau of the Census for the Department of Labor. In 1975 the Department of Labor provided for the design of an expanded CPS sample to obtain data for each State that could be used both directly as inputs into the distribution formulas for the Comprehensive Employment Training Act of 1973 (CETA) and as State-level controls against which State and local-area data developed through the use of administrative records could be benchmarked. For 1976 the Manpower Administration will provide funding from CETA title III funds to produce such data for all States on an average annual basis. It is expected that this sample augmentation—

principally to take place in the less populous States—will also improve the national data with regard to minorities.

Children in poverty.—The educational amendments of 1974 require that a survey be conducted to provide current State estimates of the number of school-age children (ages 5–17) living in families with incomes below the poverty threshold. Data from this survey, conducted by the Bureau of the Census in consultation with the Department of Health, Education, and Welfare (DHEW) are scheduled to become available late in calendar 1976.

A simultaneous research effort is being carried out by the DHEW and the Department of Commerce to determine the feasibility of providing updated counts of the number of children from families in poverty by school district in order to make adjustments in grants which local education agencies receive under title I of the Elementary and Secondary Education Act of 1965.

STATISTICAL IMPROVEMENTS IN MAJOR PROGRAM AREAS

SOCIAL STATISTICS

Health statistics.—A \$3.6 million increase is provided for the National Center for Health Statistics (NCHS) in 1976. With this increase, NCHS will continue development of a Federal-State-local cooperative health statistics system. In this system responsibility for identification of the data elements to be collected and the costs of this collection will be shared by the three levels of Government. The data elements are chosen to meet the needs of the Federal Government as well as those of the State and local governments. Responsibility for collection of the data eventually will lie with the States and localities.

Other changes in health statistics reflect increases in areas where Federal programs or responsibilities have been expanding. The Consumer Product Safety Commission has an additional \$1.6 million to fulfill the requirement of the Consumer Product Safety Act of 1970 to estimate and analyze the economic impact of proposed standards and regulations on both industry and the consumer, and to encourage additional input from consumers on products which may represent unreasonable risks of injury to consumers. The Center for Disease Control has a \$1.5 million increase for maintenance of its surveillance system on occupational hazards, injuries, and illnesses resulting from the work environment, and statistical analysis of the coal mine medical examination program. The statistical activities of the National Cancer Institute have been increased \$0.5 million for environmental carcinogenesis studies, completion of the third national cancer survey, studies of high-risk groups, and studies of the relationships between cancers, congenital defects, and other diseases. The statistical activities of the National Heart and Lung Institute have also been increased (\$0.3 million) to give added statistical support to the three major ongoing clinical trials. These trials are important for prevention and treatment of cardiovascular disease.

Educational statistics.—The 1976 budget includes an increase of \$8.9 million for the statistical activities of the National Center for Educational Statistics (NCES). Significant new activities of the Center will

include several new surveys and the establishment of an interagency consortium to provide Government agencies, the Congress, and the public better access to educational data. The new surveys deal with: (1) types of education outside of the traditional primary, secondary, and higher education sequence; (2) teacher supply and demand; (3) educational needs of individuals of limited English-speaking ability; and (4) longitudinal observation of the high school class of 1978. The national assessment of educational progress and Federal/State cooperative statistical programs will continue to be major activities of NCES.

Several major educational surveys required by the educational amendments of 1974 will be initiated by other agencies. The Office of Education (OE) will initiate a longitudinal study to assess the sustaining effects of title I of the Elementary and Secondary Education Act of 1965. OE will also conduct a survey to ascertain the rates of participation of economically and educationally disadvantaged children in title I programs. The National Institute of Education will study the purposes and effectiveness of compensatory education programs in the Nation. The Bureau of the Census will conduct a special study to produce State estimates for 1976 of the number of children 5-17 years of age from families in poverty.

Income maintenance and welfare statistics.—A net decrease of \$1.7 million for income maintenance statistics reflects the completion of field work and initial data processing for the survey of the low income, aged, and disabled population, and a number of the surveys of the disabled. The decrease of \$2.3 million in these areas was partially offset by an increase of \$0.5 million in surveys of the social and economic status of the retired population and of young survivors and other young beneficiaries. The 1976 budget provides for continued work on the planning and development of an improved data base for the program of aid to families with dependent children and for better information about the types of social services provided. Funds are also provided for small projects designed to improve the measurement of noncash income, the preparation of special poverty tabulations, and further extension of the longitudinal study of family economics.

Criminal justice statistics.—The 1976 budget provides \$29.3 million for criminal justice statistics programs in the Department of Justice, a net decrease of \$1.2 million from 1975. The Federal-State-local cooperative statistics program, however, will continue to receive priority attention within the Law Enforcement Assistance Administration (LEAA). These funds enable the States to develop comprehensive crime and criminal justice statistics and provide the mechanism for analysis for planning and evaluation. LEAA funds will continue to provide sample data on the incidence of common crime, its costs, and characteristics of victims and criminal events. Efforts will continue to improve further the scope and quality of the uniform crime reports of the Federal Bureau of Investigation. Early warning on the abuse of some 2,500 dangerous drug substances will be provided by 1,300 early warning facilities located in 29 metropolitan areas established by the Drug Enforcement Administration.

ECONOMIC STATISTICS

Wage statistics.—In 1976 the Bureau of Labor Statistics will undertake improvements in the professional, administrative, technical, and clerical wage survey (PATC), which is used for establishing comparability between Federal and private pay systems (\$0.4 million). It is anticipated that bonus payments will be included in the survey, and the industry and establishment-size scope will be expanded.

Production and distribution statistics.—Improvement and updating of the sample panels are proposed for the current surveys of retail, service, and wholesale trade to reflect the 1972 revisions in the standard industrial classification and the information collected in the 1972 economic censuses on kind of business, geographic area, and size of firm or establishment. These new samples, to be developed for introduction in 1977, will insure continued comparability and usefulness of the information derived from these important up-to-date measures of the state of the U.S. economy (\$1.0 million). Funds are budgeted to initiate a rotating series of benchmark surveys of industries for which complete information is required more frequently than every five years. Industries which are important users of scarce resources, such as fuel and water, will be surveyed more frequently than other industries, although the program provides for some flexibility in scheduling as new situations arise (\$0.4 million).

The Department of Agriculture's Statistical Reporting Service will continue its research cooperation with the National Aeronautics and Space Administration into the practical use of signals transmitted by the Earth Resources Technology Satellite (ERTS-1) for generating information on agriculture production as related to ground truth (\$0.6 million).

A pilot test of a survey of the performance, costs, capacity, and other aspects of the nonfarm portion of the food industry will be made to determine whether it would be productive to add such questions to the economic censuses or to conduct other surveys (\$0.3 million). The statistical portion of an Economic Research Service study to explore the factors influencing foreign demand for U.S. agricultural exports will require \$0.2 million.

The budget also includes \$1.3 million for the Agricultural Research Service to initiate a national food consumption survey which will provide information for monitoring trends in food consumption, determining the nutrient value of diets of various population groups and income levels, and facilitating the development of programs in food production, marketing, and distribution. One of the most important applications of data from this survey is its use in the estimation of the population in poverty.

Several programs which contributed marginally to the Statistical Reporting Service's mission, e.g., surveys of timber prices, mushrooms, mink, and floriculture production, will be discontinued in 1976 (—\$1.0 million).

National economic and business financial accounts.—The recently initiated program to develop information on commodity imports valued inclusive of ocean insurance and freight charges (c.i.f.) will be

enhanced by collecting data on the imports from foreign affiliated companies valued as though the importer and the exporter were not related (arms-length transactions). In addition, expansion in U.S. international commodity trade is expected in 1976 to result in a 20% increase over 1974 levels in the number of import and export documents to be processed by the Census Bureau, only part of which can be accommodated by increases in productivity (\$1.4 million). Funds are programed to complete the benchmark survey of foreign direct investments in the United States as required by the Foreign Investment Study Act of 1974 (\$0.5 million). This survey, including information on financial, employment, and operating data as well as detailed balance-of-payments and investment position data, will be coordinated with a similar survey on foreign portfolio investment in the United States to be conducted by the Treasury Department under the exchange stabilization fund.

In recent years, the Bureau of Economic Analysis (BEA) has developed, improved, and updated the methodology for producing annual estimates of the distribution of the comprehensive personal income component of the gross national product accounts, classified by size and family characteristics, including money and nonmoney income. In 1976, this series will be established as an annual publication with a large amount of detail on the type of income received and the age, race, and sex classifications of the recipient individuals and families. In another BEA effort, the national input-output tables will be expanded to add detail on the use and production of energy and other potentially scarce materials. This information will be useful in evaluating the impact on U.S. energy consumption of alternative policies and of different industry growth patterns (\$0.5 million).

Housing and construction statistics.—An additional \$2.1 million for construction and housing statistics principally reflects the increased cost of the annual housing survey during 1976. Tabulations for 1973, which was the first year of the national sample, will be released in March 1975. An advance report of the data for 1974 is scheduled for release during the summer of 1975. The basic construction and housing statistics program includes statistical series on construction activity, building permits, housing starts, construction progress, alterations, repairs, and construction price indexes.

Energy statistics.—In previous special analyses, energy and energy-related data have been included in the various other subject areas within economic statistics. This year, however, because of their national importance and interest, single and joint-purpose statistics relating to energy are displayed separately. The principal collectors of energy information include the Bureau of Mines (Department of the Interior), the Federal Power Commission and the Bureau of the Census. The focal point for energy (and energy-related) statistics, however, is the Federal Energy Administration (FEA). During 1975, FEA organized and began operation of the National Energy Information Center which serves as the interagency clearinghouse for energy information. In addition, the Federal Energy Administration's Office of Data collects information not provided by other sources, analyzes

and evaluates requirements for energy data, and prepares reports and disseminates information. Particular responsibilities include reports required by Congress, such as the independent petroleum reserves survey and a market shares analysis for branded versus nonbranded gasoline at the wholesale distributor and retail levels.

Other functions, performed in the Office of Policy and Analysis, include data processing support for the fuel allocation program, analytical support for Project Independence, and developing and refining long-range supply/demand balancing models. For 1976, additional initiatives include evaluation of data related to the impact of alternative energy policies on individuals in different income groups.

Environmental statistics.—The major program areas of the Environmental Protection Agency (EPA) (air, water, noise, and pesticides) continue to be supported by the collection of regulatory data and special statistical surveys. During 1975 a number of experimental surveys have also been undertaken to coordinate energy/environmental evaluations for power generation plants, to assess community perceptions and implicit economic trade-offs in selected pollution abatement areas, and to explore the pollutant sensitivity of the demand for water-related recreation. In addition, other agencies are collecting data with environmental implications, e.g., Bureau of the Census/Bureau of Economic Analysis on expenditures for pollution abatement and Bureau of the Census/National Science Foundation on industrial research and development for pollution abatement. Funding in 1976 will provide opportunities for improved data retrieval and coordination within EPA, enhanced quality control of surveys to be conducted, and increased interagency coordination of data relating to the environment.

PERIODIC PROGRAMS

1977 Census of Governments.—Preparation for taking the 1977 Census of Governments will continue in 1976 with questionnaire design, planning for the processing of the data, and an identification, count, and classification of all local governmental units.

1977 economic censuses.—Funds are provided to conduct the initial work for the 1977 economic censuses, which are central to producing estimates of the national economic accounts, Industrial Production Index, and input-output tables. Plans and specifications will be developed for collection, processing, and publishing, and the content of the survey forms will be reexamined. The Census Bureau will conduct feasibility studies to determine which of the items recommended in the interim report of the gross national product data improvement project are feasible for addition to the economic census program.

1974 Census of Agriculture.—The quinquennial census of agriculture provides extensive detail on the U.S. food and fibre economy with detail published to the county level. The data collection, processing, and tabulation phases of the 1974 Census of Agriculture,

referring to calendar year 1974, will be largely completed in 1976; many State and local reports will be published; and the evaluation phase will be undertaken.

1978 Census of Agriculture.—Legislation will be proposed to accelerate the conduct of the next census of agriculture and eventually to synchronize the taking of future censuses with the quinquennial economic censuses which are conducted for the years which have two or seven as a last digit. The advantage of this proposal to develop a complete canvass of U.S. economic activity, both agricultural and nonagricultural, referring to the same period is that it facilitates consistent coverage, classification, and nonduplication of economic activities and provides an exhaustive picture of the interrelationships among all sectors of the economy. Under this plan the subsequent censuses would be conducted for 1982 and every 5 years thereafter.

Preparation for the Twentieth Decennial Census.—In 1976 funds are included to continue preparations for the 1980 Census. The efforts over the last several years to provide Federal funds to State and local governments on a formula basis have increased reliance on the census for benchmark data. In addition to population counts other data, such as information on income, family size and composition, and housing conditions, are critical to funding and policy decisions.

1976 is the third planning year for the 1980 Census. A series of pretests is planned to examine: (1) coverage improvement, (2) extension of the mail method of data collection, (3) alternative processing approaches, (4) question wording, and (5) questionnaire formats. The major groups of activities (\$0.8 million) will involve new mapping and related geographic activities, the development of a decentralized processing capability, and improvement in data dissemination vehicles. Liaison between the Census Bureau and various advisory groups will reach a period of maximum activity during 1976.

Periodic programs geographic support.—This program provides the capability to produce data accurately coded by geographic regions of the country by maintaining geographic reference files for small areas and jurisdictions. The boundary and coding guide system is being extended to the present boundaries of each standard metropolitan statistical area (SMSA) including the 37 newly established SMSA's. The geographic base file program will be supplemented in 1976 by the updating of the files for communities with population between 2,500 and 10,000. This activity supports major Census Bureau programs including the forthcoming 1977 economic censuses and other large-scale surveys.

Revision of the Consumer Price Index.—Work is proceeding on schedule toward revision of the Consumer Price Index (CPI). The revision will utilize consumer expenditure weights based on the 1972-73 consumer expenditure survey and will incorporate substantial methodological improvements. During 1976, work should progress to compilation of the revised index on a test basis. Publication of the revised CPI is scheduled for 1977.

Revision of series to 1972 standard industrial classification.—The 1976 budget includes \$1.3 million to increase comparability among statistical series produced by the Federal Government through conversion of all BLS establishment-based series to the revised (1972) standard industrial classification (SIC). Such conversion will permit comparative analyses of current and previous data. In 1976, BLS will initiate retabulation and benchmarking of all national, State, and local series affected by the revisions in the SIC. Major programs affected include the Quarterly Report of Insured Employment and Wages (ES 202), the Current Employment Statistics (BLS-790), and the Labor Turnover Statistics (DL-1219) statistical systems.

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

Agency	1974 actual	1975 estimate	1976 estimate
CURRENT PROGRAMS			
Department of Agriculture:			
• Agricultural Research Service.....	.2	.5	1.8
• Economic Research Service.....	4.8	5.8	7.6
• Foreign Agricultural Service.....	-----	.3	.6
Statistical Reporting Service.....	26.0	30.7	34.2
Department of Commerce:			
• Domestic and International Business Administration.....	5.0	5.6	5.8
• Economic Development Administration.....	.8	.5	.5
• National Bureau of Fire Prevention.....	-----	.2	1.1
• National Marine Fisheries Service.....	2.0	2.0	1.9
Social and Economic Statistics Administration ¹	41.4	49.6	55.3
Department of Defense:			
• Corps of Engineers.....	1.5	1.6	1.8
Department of Health, Education, and Welfare:			
• Alcohol, Drug Abuse, and Mental Health Administration.....	14.8	7.0	7.1
• Center for Disease Control.....	2.6	3.2	4.7
• Food and Drug Administration.....	2.2	2.4	2.4
Health Resources Administration:			
• National Center for Health Statistics.....	18.7	22.0	25.6
• Other Health Resources Administration.....	6.7	1.2	-----
• Health Services Administration.....	1.7	1.8	1.8
National Center for Educational Statistics.....	15.6	13.1	22.0
• National Institutes of Health.....	22.3	23.0	23.9
• Office of Education.....	-----	8.3	16.7
• Social and Rehabilitation Service.....	1.6	2.1	2.3
• Social Security Administration.....	19.4	33.3	29.7
• Office of Assistant Secretary for Human Development.....	.2	.3	.3
• Office of Assistant Secretary for Planning and Evaluation.....	2.1	2.8	3.1
• Department of Housing and Urban Development.....	8.8	8.5	10.0
Department of the Interior:			
• Bureau of Mines.....	2.9	3.2	3.5
• Fish and Wildlife Service.....	4.0	4.3	4.3
• Mining Enforcement and Safety Administration.....	1.6	2.0	2.0
Department of Justice:			
• Drug Enforcement Administration.....	.8	1.1	1.1
• Federal Bureau of Investigation.....	2.0	2.6	2.8
• Law Enforcement Assistance Administration.....	24.8	27.6	26.2

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

Agency	1974 actual	1975 estimate	1976 estimate
CURRENT PROGRAMS—Continued			
Department of Labor:			
Bureau of Labor Statistics.....	38.0	48.4	53.7
• Employment Standards Administration.....	.6	.6	.6
• Manpower Administration.....	20.7	30.1	31.0
• Occupational Safety and Health Administration.....	5.1	5.5	5.6
Department of Transportation:			
• Office of the Secretary.....	1.4	1.7	2.5
• Federal Highway Administration.....	4.0	4.1	4.2
• Federal Railroad Administration.....	1.5	1.0	1.1
• National Highway Traffic Safety Administration.....	7.2	7.8	9.3
Department of the Treasury:			
• Office of the Secretary.....	.1	.6	.1
• Internal Revenue Service.....	16.5	12.4	12.8
• U.S. Customs Service.....	2.9	3.2	3.2
• Civil Aeronautics Board.....	1.5	1.7	2.0
• Consumer Product Safety Commission.....	2.1	4.2	5.8
• Environmental Protection Agency.....	21.4	27.1	26.8
• Federal Energy Administration.....	5.0	23.1	23.1
• Federal Home Loan Bank Board.....	2.2	2.3	2.5
• Federal Power Commission.....	1.5	1.8	1.9
• Federal Trade Commission.....	.8	1.2	1.4
• Interstate Commerce Commission.....	1.0	1.0	1.1
• National Science Foundation.....	2.8	3.3	3.0
• Securities and Exchange Commission.....	.6	.6	.7
• Special Action Office for Drug Abuse Prevention.....	.5	1.0	-----
Total, current programs.....	371.9	449.3	492.5
PERIODIC PROGRAMS			
Department of Commerce: Social and Economic Statistics Administration:			
1972 Census of Governments.....	.7	.2	-----
1977 Census of Governments.....	-----	.4	.6
1972 economic censuses.....	10.4	6.0	-----
1977 economic censuses.....	-----	-----	3.8
1974 Census of Agriculture.....	1.5	8.9	9.1
1978 Census of Agriculture.....	-----	-----	.9
1970 decennial census.....	.7	-----	-----
1980 decennial census.....	.5	2.8	4.3
Intercensal demographic estimates.....	1.6	1.5	1.8
Periodic programs geographic support.....	-----	2.0	2.7
Data processing equipment.....	.7	3.8	4.1
General administration and other.....	1.3	1.0	1.2
Department of Labor: Bureau of Labor Statistics:			
Revision of Consumer Price Index.....	9.6	6.6	7.1
Standard industrial classification revision program.....	-----	-----	1.3
Total, periodic programs.....	27.0	33.2	36.9
Total, principal statistical programs.....	398.9	482.5	529.4

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

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

SPECIAL ANALYSIS H

CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

Total Federal civilian employment in the executive branch as of June 30, 1974, was 2,793,877. This is a decrease of 226,088 positions, or 7.5%, since June 1968. For the period from June 30, 1974, through June 30, 1975, total employment is estimated to increase by nearly 7,900 positions, and will remain level through June 30, 1976.

FULL-TIME PERMANENT CIVILIAN EMPLOYMENT

Full-time permanent employment totaled 2,479,779 as of June 30, 1974. This is a decrease of 151,216 permanent positions, or nearly 5.8% since June 1968. Excluding the Postal Service, the remainder of the executive branch gained 41,887 full-time permanent employees between June 30, 1973, and June 30, 1974, but was still about 26,400 below the 1974 estimate, as shown in the 1975 budget.

With the objective of minimizing the increase in full-time permanent employment, the President announced on August 31, 1974, his goal of holding Federal civilian employment in the executive branch (exclusive of the Postal Service) on June 30, 1975, to 1,928,100 or 40,000 below the estimate for June 30, 1975, as shown in the 1975 budget. The estimates presented in table H-1 project executive branch full-time permanent employment (excluding the Postal Service) at 1,930,700 or within 2,600 of the goal, despite the fact that significant increases were necessary in manpower, veterans, and energy programs. Each executive agency head has been directed to hold employment so that the levels shown will not be exceeded. He has also been asked to minimize hiring to the extent feasible. It is expected that a number of agencies will have lower actual employment than the estimate shown and that the President's goal will be attained.

The projected total for June 30, 1976, is 1,947,600, which includes an allowance for contingencies of 5,000. Of this number, which excludes the Postal Service, 50% work for the Department of Defense and 10% for the Veterans Administration.

Table H-1 displays the year-end full-time permanent employment, and projected changes, by major agency.

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

Agency	As of June 30 ¹				Change 1975-76
	1974 actual	1975 estimate		1976 estimate	
		In 1975 budget	Current		
Agriculture.....	79,621	80,200	80,200	81,100	900
Commerce.....	28,549	29,100	28,700	28,600	-100
Defense—military functions.....	973,778	995,900	960,800	953,300	-7,500
Defense—civil functions.....	29,072	29,100	29,300	28,800	-500
Health, Education, and Welfare.....	126,692	126,200	127,300	128,300	1,000
Housing and Urban Development.....	15,021	14,200	15,200	15,200	-----
Interior ²	56,558	56,100	57,900	58,800	900
Justice.....	48,188	51,000	49,900	50,800	900
Labor.....	12,788	13,000	13,600	13,700	100
State.....	22,644	23,400	23,200	23,300	100
Transportation.....	69,524	71,300	69,900	72,000	2,100
Treasury.....	104,391	111,400	109,000	112,500	3,500
Energy Research and Development					
Administration ²	6,736	6,900	7,400	7,600	200
Environmental Protection Agency.....	9,144	9,200	9,200	9,300	100
General Services Administration.....	36,733	38,000	36,400	36,700	300
National Aeronautics and Space Administration.....	24,854	24,600	24,300	24,300	-----
Veterans Administration.....	174,515	181,800	186,200	195,700	9,500
Other:					
Agency for International Development.....	8,961	9,500	8,700	8,500	-200
Civil Service Commission.....	6,190	6,300	6,400	6,700	300
Federal Energy Administration ²	2,002	3,300	3,100	1,700	-1,400
Nuclear Regulatory Commission ²	1,538	1,900	2,100	2,300	200
Panama Canal.....	13,841	14,100	13,800	13,800	-----
Selective Service System.....	2,333	2,200	2,200	1,700	-500
Small Business Administration.....	3,957	4,300	4,200	4,200	-----
Tennessee Valley Authority.....	14,001	14,400	14,100	15,100	1,000
United States Information Agency.....	8,829	9,100	9,000	9,000	-----
Miscellaneous.....	35,844	36,600	38,600	39,600	1,000
Subtotal.....	1,916,304	1,963,100	1,930,700	1,942,600	11,900
Contingencies ³	-----	5,000	-----	5,000	5,000
Subtotal.....	1,916,304	1,968,100	1,930,700	1,947,600	16,900
Postal Service.....	563,475	534,700	556,800	541,200	-15,600
Total.....	2,479,779	2,502,800	2,487,500	2,488,800	1,300

¹ Excludes developmental positions under the worker-trainee opportunity program and certain disadvantaged youth programs.

² Adjusted for comparability purposes to reflect the change from the Atomic Energy Commission to the Energy Research and Development Administration and the Nuclear Regulatory Commission, both of which were activated January 19, 1975. Positions were transferred from the Atomic Energy Commission and the Department of the Interior to staff these new agencies.

³ Subject to later distribution.

The majority of the domestic agencies will have small increases in employment from 1975 to 1976. Several will need moderate increases to meet additional program requirements, including:

(a) Increased research efforts in livestock and food production and nutrition as well as intensified land management efforts (Department of Agriculture);

(b) Increased workload in the areas of education, health, and social rehabilitation activities (Department of Health, Education, and Welfare);

(c) Expanded Federal energy programs (Interior Department, Energy Research and Development Administration);

(d) Increased activity in the areas of law enforcement, litigation, and investigation (Justice Department);

(e) Improved capabilities in air traffic control, aids to navigation, and search and rescue (Transportation Department);

(f) Intensified bank examining activities, expanded collection activities, and increases in the number of tax returns audited (Treasury Department);

(g) Expanded and improved veterans' medical care (Veterans Administration); and

(h) Requirements for increased services and benefits that relate to the growth of the Nation's population.

These increases are partially offset by projected decreases in the Department of Defense, the Postal Service and smaller decreases in some other agencies.

TOTAL FEDERAL GOVERNMENT EMPLOYMENT

In 1976, full-time permanent employees will comprise about 89% of all civilian employees in the executive branch. The remaining 11% covers 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). As used in table H-2, "Total Federal Government employment" includes civilian employees of the legislative and judicial branches, the civilian employees of the executive branch (as previously described) and military personnel.

The end of American involvement in the Vietnam war as well as a reduction in cold war tensions in recent years have contributed to a significant shift in the size and distribution of the total Federal workforce. First, the overall size of the workforce, including military personnel on active duty, has decreased from about 6.6 million on June 30, 1968, to about 5 million on June 30, 1974, or nearly one-quarter. Second, the proportion of Department of Defense personnel (active duty military and civilians) to total Federal Government employment has decreased from 74% in 1968 to 64% in 1974. This Defense component is projected to decrease further, to about 62% in 1976.

Table H-2. TOTAL FEDERAL GOVERNMENT EMPLOYMENT

Description	As of June 30		
	1974 actual	1975 estimate	1976 estimate
Civilian employment in the executive branch:			
Full-time permanent ¹ (excluding Postal Service)	1,916,304	1,930,700	1,947,600
Other than full-time permanent ² (excluding Postal Service)	175,978	174,500	178,600
Subtotal	2,092,282	2,105,200	2,126,200
Postal Service:			
Full-time permanent	563,475	556,800	541,200
Other than full-time permanent	138,120	139,800	134,400
Subtotal	701,595	696,600	675,600
Military personnel on active duty:			
Department of Defense ³	2,161,162	2,129,000	2,100,000
Department of Transportation (Coast Guard)	36,730	37,500	37,800
Subtotal	2,197,892	2,166,500	2,137,800
Total	4,991,769	4,968,300	4,939,600
Legislative and judicial personnel: ⁴			
Full-time permanent	27,887		
Other than full-time permanent	18,009		
Subtotal	45,896		
Grand total	5,037,665		

¹ Excludes developmental positions under the Worker-Trainee Opportunity program.

² Excludes disadvantaged summer and part-time workers under Civil Service Commission programs such as summer-aides, stay-in-school, and junior fellowship.

³ Excludes Reserve components.

⁴ 1975 and 1976 estimates are not available.

PERSONNEL COMPENSATION AND BENEFITS

Direct compensation of the Federal workforce includes 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 consists primarily of the Government's share (as employer) of health insurance; term life insurance; and Federal retirement and old-age survivors' and disability insurance. Some additional benefits are uniform allowances (when paid in cash), cost-of-living and quarters allowances, and, in the case of uniformed military personnel, reenlistment bonuses, and allowances for subsistence.

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

Description	1974 actual	1975 estimate	1976 estimate
Civilian personnel costs:			
Executive branch: ¹			
Direct compensation.....	26,553	29,100	30,340
Personnel benefits.....	4,935	5,960	7,160
Subtotal.....	31,488	35,060	37,500
Legislative and judiciary: ²			
Direct compensation.....	421	490	530
Personnel benefits.....	36	40	50
Subtotal.....	457	530	580
Allowance for civilian pay raise.....			980
Total, civilian personnel costs.....	31,945	35,590	39,060
Military personnel costs: ³			
Direct compensation.....	17,906	18,630	18,430
Personnel benefits.....	4,566	4,580	4,700
Subtotal.....	22,472	23,210	23,130
Allowance for military pay raise.....			830
Total, military personnel costs.....	22,472	23,210	23,960
Grand total, personnel costs.....	54,417	58,800	63,020

¹ Excludes Postal Service pay, reflecting conversion to independent status, consistent with the Postal Service Reorganization Act of 1970.

² Excludes Members and officers of Congress.

³ Excludes Reserve components.

Obligations for civilian personnel compensation and benefits in 1976 are projected to be \$39.1 billion, excluding the Postal Service. The estimated costs for civilian and military pay increases for 1976 are covered by lump sum allowances in the 1976 budget.

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 be related to 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. Legislation is being proposed to limit these pay increases to 5% in 1976.

A high-level panel will be established to make policy recommendations to the President on how the Federal Government can best determine the appropriate level of total compensation for its employees under the principle of comparability with the private workforce.

Current law provides that pay scales for blue-collar workers under the Federal wage-board system are to be adjusted annually so as to achieve rates corresponding to the prevailing area rates in private industry. Legislation will also be sought to limit these adjustments to 5% until June 30, 1976.

The current wage board pay law requires the use of wage rate data outside of the local area involved. Legislation will be proposed to repeal this feature, so that the process for determining Federal wage rates is more consistent with the long-standing principle that such rates will be comparable with prevailing area rates.

POPULATION AND GOVERNMENT EMPLOYMENT COMPARISONS

The proportion of Federal civilian employment relative to total employment of all governmental units (Federal, State, and local) is projected at 18.6% for 1976. As the accompanying table H-4 illustrates, the Federal proportion of all governmental employment has declined significantly over the last two decades.

Government Civilian Employment

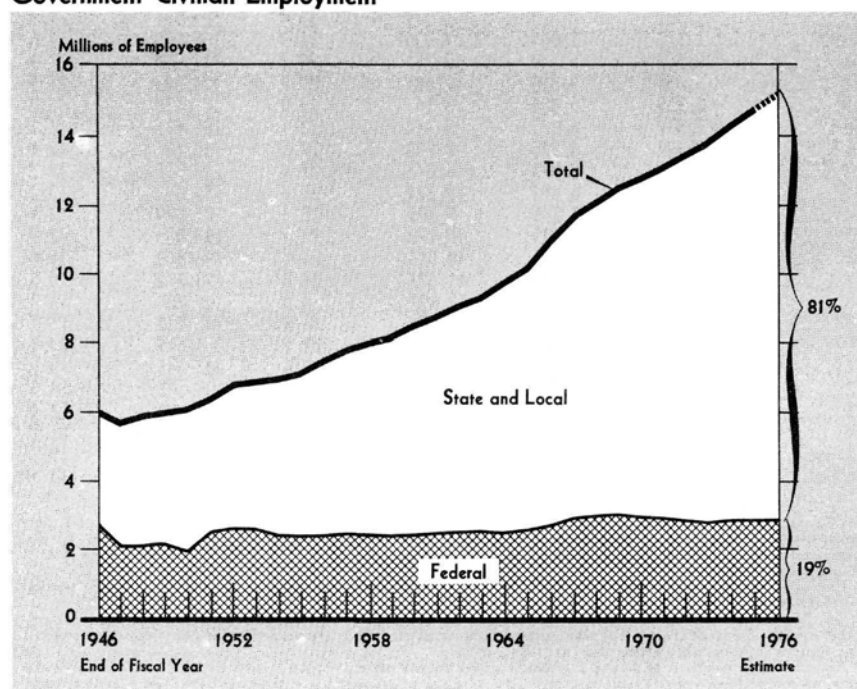


Table H-4. GOVERNMENT EMPLOYMENT AND POPULATION, 1946-76

Fiscal year	Government employment			Federal as percent of all govern-mental units	Population	
	Federal executive branch ¹ (thousands)	State and local govern-ments (thousands)	All govern-mental units (thousands)		Total United States (thousands)	Federal employ-ment per 1,000 population
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	157,553	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	30.8	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	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	204,875	14.1
1971 ²	2,823	10,257	13,080	21.6	207,045	13.6
1972.....	2,770	10,640	13,410	20.7	208,842	13.3
1973.....	2,722	11,065	13,787	19.7	210,396	12.9
1974.....	2,794	11,501	14,295	19.5	211,909	13.2
1975 (est.)..	2,802	(⁵)	-----	19.1	213,651	13.1
1976 (est.)..	2,802	(⁵)	-----	18.6	215,379	13.0

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; and beginning in 1970, excludes various disadvantaged worker-trainee programs.

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.

When compared to the Nation's population, the ratio of Federal civilian employment is estimated to be 13.0 per thousand in 1976, a ratio that (excepting the period 1966-70) has varied only slightly since 1960.

Table H-4 includes temporary and part-time as well as full-time employment.

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 I through N.

The figures used in these analyses differ from the data shown under somewhat similarly titled categories of the functional classification used in Part 5 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.

Special Analysis I discusses education-related programs, including direct Federal activities, and programs that provide aid to States and localities, to institutions of higher education, and to students.

Special Analysis J identifies the Federal programs designed to increase the skills and employment opportunities of persons already in the work force and of persons who desire to join the work force but lack vocational preparation or face other employment barriers.

Special Analysis K summarizes Federal spending for health and health-related activities.

Special Analysis L discusses Federal benefits to maintain or supplement income of persons and families whose capacity for self-support is reduced by old age, disability, illness, unemployment, poverty, or death of the primary wage earner.

Special Analysis M identifies Federal spending for civil rights enforcement activities.

Special Analysis N discusses the Federal crime reduction program, which complements activities of State and local governments. Federal assistance in the form of grants-in-aid, training, and technical assistance contributes to the effectiveness of State and local crime reduction programs.

SPECIAL ANALYSIS I

FEDERAL EDUCATION PROGRAMS

Federal expenditures for education-related programs will be \$16.2 billion in 1976. These programs provide aid to State and local educational agencies, to institutions of higher education, to students, and certain direct Federal educationally related activities.

The amounts included in this analysis 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 P for further details on Federal research and development programs.) The analysis is organized by such criteria as Federal goal served, level of education, or by the type and institutional vehicle of support. This year, as in previous years, it 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. It excludes amounts for noneducational research conducted at academic institutions which do not fall within the purposes described above. For comparability with the analyses that accompanied the 1973 and earlier budgets, these amounts are shown at the bottom of table I-1.

OVERVIEW: 1976

Total Federal education outlays will be \$16.2 billion in 1976, a decrease of \$271 million below the 1975 estimate, and an increase of \$2.2 billion over 1974 outlays.

Outlays for programs directed toward national education goals are estimated to be \$8.6 billion, 3% above the estimated 1975 level. Within this total elementary and secondary education is estimated at \$4.4 billion in 1976. This is only a slight decrease below the 1975 funding and a \$300 million increase over the 1974 level.

Outlays for higher education student support programs in the Education Division will reach an estimated \$2.0 billion in 1976, an increase of 15% above the 1975 level, and 105% above the 1974 level. In addition, four tax expenditures, ranging in size from \$0.2 billion to \$0.7 billion each will also support higher education in 1976.

Substantial Federal educationally related expenditures are directed toward activities whose purposes are not primarily educational. The Federal Government invests in the education of specialized manpower for many activities; the largest of which is defense related and the second largest of which is in the health field. An estimated \$7.4 billion of outlays will be provided in 1976 which are beneficial to the interests of education but are directed toward other ancillary purposes. The 1976 estimate is 7% lower than the 1975 level of \$8.0 billion. The largest components of this change are veterans readjustment, child nutrition and health manpower program reductions.

- *Veterans.*—The bases for the reductions are as follows:
 - Legislation has been proposed to repeal a 2-year extension of GI bill entitlement;
 - A slight drop in veteran enrollment under the GI bill, reflects a reduced volume of military separations.
- *Child nutrition.*—The Administration proposal to substitute a bloc grant for the current set of fragmented and overlapping child feeding programs provides reimbursement only for needy children. In addition, a 5% limit is placed on program outlays which reflect changes in the food-away-from-home component of the Consumer Price Index.
- *Health manpower.*—A reduction in health manpower spending reflects a policy of phasing out unnecessary institutional operating subsidies and categorical student scholarships and loan activities, as well as the elimination of construction grants to health professions and nursing schools.

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

Table I-1. **FEDERAL OUTLAYS FOR EDUCATION**

Purpose and program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Educationally deprived children.....	1,460	1,599	1,755
Emergency school aid.....	205	207	122
Federally affected areas.....	559	631	371
Other ESEA.....	207	292	439
Salaries and expenses.....	77	112	105
Basic opportunity grants.....	49	451	502
Other higher education student support (OE).....	837	1,099	1,290
Other higher education (OE).....	290	260	258
Student loan insurance fund.....	84	176	192
Occupational, vocational, adult.....	570	631	646
Educational development.....	246	160	43
Education for the handicapped.....	123	125	138
Library resources.....	150	169	125
Other Office of Education.....	30	54	57
National Institute of Education.....	97	82	84
Special institutions.....	113	135	118
Student grants (OASDI).....	937	1,053	1,189
Office of Human Development.....	414	443	467
Other HEW.....	106	110	123
Other.....	427	516	546
Subtotal, national education goals.....	6,981	8,305	8,570
Federal outlays—education support for other basic purposes:			
Health manpower.....	546	613	519
Veterans readjustment.....	2,914	3,377	3,091
Defense.....	967	1,029	1,072
Child nutrition.....	1,267	1,617	1,463
Other.....	1,112	1,324	1,247
Subtotal, education support for other purposes.....	6,806	7,960	7,392
Federal outlays—salary supplements.....	238	249	281
Total, education outlays.....	14,025	16,514	16,243
Amounts previously carried for academic research not directed toward educational objectives.....	1,856	2,040	2,056

RENEWAL AND REFORM

The provision of basic educational services in the United States is the responsibility of the State and local educational authorities. The Federal role is devoted to developing and encouraging improvements in the educational process through research, innovation and reform, and to extending and assuring equal educational opportunity.

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

- Consolidation of certain categorical educational programs and the provision of advanced funding for most elementary and secondary education support (I-2 below).
- Reform in the distribution of funding for the education of disadvantaged children.
- A focusing of aid on school districts facing critical problems of desegregation.
- Funding of basic educational opportunity grants of up to \$1,400 for all eligible undergraduate postsecondary students.

Table I-2. 1977 APPROPRIATIONS AUTHORIZED TO BE PROVIDED IN 1976

(In thousands of dollars)

	1977 budget authority requested in the 1976 budget
Education of the disadvantaged.....	1,900,000
Support and innovation.....	172,888
Education of the handicapped.....	50,000
Occupational, vocational, and adult education.....	67,500
Libraries and instructional resources.....	137,330

These activities, reauthorized under the Education Amendments of 1974, and funded in 1975 will provide funds for academic years 1974-75 and 1975-76, thereby making these programs advance funded. Support and innovation, as well as libraries and instructional resources, are consolidated education grant programs that place under two broad funding authorities several categorical programs previously funded individually. The aim of these new initiatives is to provide the States greater flexibility and responsibility in determining their own educational priorities and funding needs.

New legislation is also being proposed for vocational education, impact aid and library resources. In addition, renewed emphasis will be placed on the relationship between education and work and upon educational research.

Vocational education.—In 1976, support for activities previously authorized under the Vocational Education Act are being requested under proposed legislation. The legislative proposal would consolidate the present five State grant categorical programs for vocational education into a single basic grant program. The legislation will also incorporate into a single category the present innovation, curriculum development, research and special needs activities.

The Federal role will shift substantially in 1976 from support services assistance to the support of innovative projects which will enable the States to improve their capacity for reforming the vocational education system. Individual innovative projects would be limited to 3 years duration.

Outlays for this legislative proposal are estimated at \$260 million in 1976.

Impact aid.—In 1976, legislation will be proposed to initiate new funding policies for this program which provides payments to school districts where enrollments are affected by Federal activities. This legislative proposal will provide funding to districts for those children whose parents live and work on Federal property ("a" category) and those children whose parents either live or work on Federal property ("b" category). The proposed legislation will make payments as follows: 100% of entitlement for "a" category children who comprise 25% or more of total children in average daily attendance; 90% of entitlement for "a" category children who comprise less than 25% of total children in average daily attendance; 68% of entitlement for "b" category children, less the amounts such agencies would receive for "b" category children who reside outside of the State in which their school district is located. Payments will be made on the rates specified above, less 5% of each agency's total operating expenditures for the preceding year.

Outlays for this legislative proposal in 1976 will be \$158 million.

Library resources.—In 1976 legislation will be proposed to initiate a program to support the integration of library and information services and the demonstration of new methods for delivery of library services. This initiative will stress greater efficiency and cost-effectiveness in the provision of services and the focusing of these services on high priority target populations such as the disadvantaged. Outlays for this legislative proposal will be \$11 million in 1976.

Education and work.—The isolation of education from the world of work will be addressed by the Fund for the Improvement of Post-secondary Education, the Office of Education and the National Institute of Education.

These agencies will develop and demonstrate methods of providing information to educators and young people on the world of work and work experience, increasing the understanding of problems that education can help to resolve, and improving the transition from education to work.

National Institute of Education.—The Institute (NIE) will continue to 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, basic skills and school finance and productivity. Research results will be disseminated to local educational authorities so that they can determine what will work best in their individual schools. In 1976, NIE outlays for educational research and development will be \$84 million.

OTHER PROGRAM DEVELOPMENTS

Health manpower.—A program of national health service scholarships has been initiated, under which health professions and nursing students can receive full scholarship assistance in return for equal periods of public service, after their training is completed. (See Special Analysis K for further details on Federal health programs.)

GI bill.—The GI bill amendments, signed into law December 1974, 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.

Emergency school aid.—This program, enacted in 1972, will provide aid to elementary and secondary schools and their faculties engaged in the process of desegregation. In 1975 and 1976, the Administration is proposing to provide funding for this program in a fully discretionary way to those areas of greatest need.

NATIONAL EDUCATION GOALS

National education purposes are estimated to account for \$8.6 billion of educational expenditures in 1976. Of this total, over \$4.4 billion, or 51%, will be spent at the elementary and secondary education levels. Higher education will benefit from \$3.4 billion or an additional 40%. 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 Education Division. In 1976, Office of Education programs account for \$3.4 billion or 77% of the total level of \$4.4 billion.

Table I-3. FEDERAL OUTLAYS FOR NATIONAL EDUCATION GOALS BY LEVELS

Level and program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Elementary and secondary:			
Educationally deprived children (ESEA).....	1,460	1,599	1,755
Supplementary services, State plans (ESEA).....	165	170	123
Other ESEA.....	42	120	315
Federally affected areas.....	559	631	371
Emergency school aid.....	203	205	121
Educational development.....	184	117	32
Library resources.....	84	93	72
Education for the handicapped.....	123	125	138
Occupational and vocational education.....	334	373	388
National Institute of Education.....	45	33	33
Office of Child Development.....	409	436	465
Student grants (OASDI).....	244	274	309
Bureau of Indian Affairs.....	149	183	173
Other.....	96	132	117
Subtotal, elementary and secondary.....	4,097	4,491	4,412
Higher education:			
Basic opportunity grants.....	49	451	502
Work-study and supplementary grants.....	261	462	521
Guaranteed student loans.....	294	370	437
Direct student loans.....	281	255	313
College teacher fellowships.....	26	7	4
Student loan insurance fund.....	45	95	104
Construction loans and grants.....	66	58	62
Disadvantaged students and developing institutions.....	111	137	156
Occupational and vocational education.....	140	159	156
Special institutions.....	84	94	87
Student grants (OASDI).....	618	695	785
National Science Foundation.....	36	38	46
Bureau of Indian Affairs.....	23	32	32
Other.....	202	222	193
Subtotal, higher education.....	2,236	3,075	3,398
Adult and continuing education:			
Occupational and adult education (OE).....	96	99	102
Public libraries (OE).....	44	48	37
Social Security Administration.....	75	84	95
Library of Congress.....	86	102	121
Other.....	17	22	25
Subtotal, adult and continuing education.....	318	355	380
Other:			
Office of Education salaries and expenses.....	77	112	105
Student loan insurance fund.....	39	81	88
National Institute of Education.....	44	43	46
Smithsonian Institution.....	36	44	56
Corporation for Public Broadcasting.....	22	27	32
National Foundation on the Arts and the Humanities.....	14	25	26
Other.....	98	52	27
Subtotal, other.....	330	384	380
Total.....	6,981	8,305	8,570

Under programs in other offices, an estimated \$1.1 billion will be spent in 1976 for elementary and secondary education. Office of Child Development activities account for \$465 million, mostly in the Head Start program. Under the social security system (OASDI), children between the ages of 18 and 22 who are still in school 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 upon his request. In 1976 an estimated \$309 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 selected activities at the elementary and secondary school levels.

An estimated \$3.4 billion will be spent in 1976 for higher education, an increase of 78% over the 1974 level. Expenditure for higher education will be 40% of total expenditures for education goals. The Office of Education will provide \$2.3 billion out of the \$3.4 billion total.

Student support accounts for the majority of the funds for educational purposes at this level. In 1972, the year in which Congress enacted higher education amendments, \$933 million for Office of Education student support programs (work-study and supplementary grants, guaranteed student loans and direct student loans) constituted 43% of the total. In 1976, under Administration proposals, Office of Education student aid expenditures will reach \$1,984 million, more than double the level 4 years before. Social security benefits to students at institutions of higher education will provide an additional \$785 million of student support in 1976, an increase of \$90 million over 1975 levels and \$167 million over 1974 levels. The focus of aid in higher education will continue to shift from institutional support to direct student support with the full funding of the basic opportunity grants.

Outlays in 1976 for adult and continuing education and other educational activities will be \$380 million. Various Federal activities such as the Library of Congress and the Smithsonian Institution are included in this category. The total outlays in 1976 for these activities will increase by \$25 million over 1975.

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 1975 at \$4.0 billion. This represents an increase of \$715 million over 1974 levels, a portion of which can be accounted for by recently enacted increases in GI bill benefits. In 1976, the continuing reduction in Armed Forces separations and proposed legislation which would allow a veteran 8 rather than 10 years to use these benefits lead to a decreasing workload, and therefore a reduced estimate of expenditures.

School lunch, school breakfast, school milk, and other programs benefiting school children nutritionally accounted for \$1.5 billion in

1975. The Administration proposes to substitute comprehensive bloc grants for existing child feeding programs in order to rationalize the administratively complex programs under the child nutrition and school lunch acts. Outlays in 1976 will be \$1.6 billion.

The GI bill and child nutrition programs will constitute an estimated 54% of outlays for noneducational purposes in 1976. Of the remaining programs, \$655 billion or 9% 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, as well as future service personnel through the Reserve Officers Training Corps and in the service academies. Outlays for inservice training are estimated to reach \$491 million in 1976, an increase of 3% over estimated 1975 levels.

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

Level and program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Elementary and secondary:			
Child nutrition.....	1,267	1,617	1,463
Public service jobs.....	129	208	176
Community planning and development.....	74	44	36
Veterans Administration.....	67	86	80
Other.....	178	204	231
Subtotal, elementary and secondary.....	1,715	2,159	1,986
Higher education:			
Veterans readjustment.....	2,309	2,703	2,539
Military service academies.....	220	240	262
Reserve Officers Training Corps.....	157	165	171
Other DOD.....	96	96	96
Health Resources Administration.....	546	613	519
Health manpower (NIH).....	144	164	141
Alcohol, Drug Abuse and Mental Health Administration.....	83	103	75
Other.....	200	253	228
Subtotal, higher education.....	3,755	4,337	4,031
Adult and continuing education:			
Agriculture extension service.....	193	214	220
Veterans readjustment.....	538	588	472
Other.....	36	32	28
Subtotal, adult and continuing education.....	767	834	720
Training of Federal military employees:			
Defense.....	446	479	491
Coast Guard.....	20	22	22
Subtotal, training of Federal military employees.....	466	501	513
Other:			
Department of State.....	31	32	39
Other.....	72	97	103
Subtotal, other.....	103	129	142
Total.....	6,806	7,960	7,392

An additional \$162 million in 1976 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 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 \$281 million dollars in 1976. 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 \$276 million of outlays in 1976, an increase of \$32 million over their 1975 levels.

Table I-5. **FEDERAL EDUCATION OUTLAYS FOR SALARY SUPPLEMENTS**

Level and program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Total, salary supplements.....	238	249	281
Elementary and secondary.....	212	202	226
Higher education.....	1	1	1
Adult education.....	21	43	50
Other.....	4	3	4
Defense:			
Overseas dependents education.....	212	202	226
Off-duty military personnel.....	21	43	50
Other.....	5	4	5

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 \$641 million in 1976, or 4% of all education-related expenditures.

Educational personnel training is a declining component of this total, estimated at \$187 million in 1976, compared to \$227 million for 1975. Outlays for educational research are estimated to rise, and will constitute an increasing portion of total educational expenditures. These outlays will reach an estimated \$454 million in 1976, an increase of 14% over their 1975 level.

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

Program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Education personnel training:			
Educational development.....	115	80	28
Occupational, adult and vocational.....	14	32	52
Emergency school assistance.....	16	14	12
Education for the handicapped.....	32	39	33
College teacher fellowships (OE).....	26	8	4
Office of Child Development.....	22	22	20
National Science Foundation.....	13	17	14
Other.....	7	15	24
Subtotal, education personnel training.....	245	227	187
Educational research:			
Educational development.....	123	68	11
Elementary and Secondary Education Act.....	22	83	98
Education for the handicapped.....	35	31	32
Occupational, vocational and adult education.....	50	48	102
National Institute of Education.....	97	82	84
National Foundation on the Arts and Humanities.....	20	34	36
National Science Foundation.....	31	37	41
Other.....	21	43	50
Subtotal, educational research.....	399	426	454
Total.....	644	653	641

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 70% of the money for personnel training in 1976; the National Institute of Education will provide 20% of the funds for research in 1976.

EDUCATIONAL LEVEL OF SUPPORT

Approximately half of Federal funds for education are directed to elementary and secondary education. Of this total 67% are provided through programs directly focusing on educational goals. Some 42% of funds go to higher education, but of these, 46% are in programs whose primary goal is education.

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

	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Elementary and secondary:			
Education.....	4,097	4,491	4,412
Other basic purposes.....	1,715	2,159	1,986
Salary supplements.....	212	202	226
Total, elementary and secondary.....	6,024	6,852	6,624
Higher education:			
Education.....	2,236	3,075	3,398
Other basic purposes.....	3,755	4,337	4,031
Salary supplements.....	1	1	1
Total, higher education.....	5,992	7,413	7,430
Adult and continuing education:			
Education.....	318	355	380
Other basic purposes.....	767	834	720
Salary supplements.....	21	43	50
Total, adult and continuing education.....	1,106	1,232	1,150
Other:			
Education.....	330	384	380
Other basic purposes.....	569	630	655
Salary supplements.....	4	3	4
Total, other.....	903	1,017	1,039
Total, outlays for education.....	14,025	16,514	16,243

Most of the support to elementary and secondary education reaches the educational process through grants to States and to local educational agencies.

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

Sublevel and type of support	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Total, elementary and secondary.....	6,024	6,852	6,624
Early childhood.....	653	698	676
Elementary and secondary.....	5,009	5,861	5,739
Supporting services.....	362	293	209
Current operations.....	5,081	5,794	5,539
Facilities and equipment.....	144	184	153
Student support.....	348	400	435
Education personnel training.....	197	210	199
Educational research.....	254	264	298

The outlays in support of higher education are generally not channeled through a State or local government. Instead, grants or loans are made to the educational institution or go to the student who then chooses which institution to attend. Federal support to higher education continues in transition from an emphasis on institutional support to one of direct student assistance. In 1976, an estimated \$5,783 million or 78% of total outlays for higher education will be direct grants or subsidies on loans to students. Another \$1,520 million are estimated to go to institutions for current operations or facilities and equipment. In comparison, in 1974, \$4,391 million or 73% of the total provided grants or subsidized loans to students.

The Federal Government also aids education through four tax expenditures whose benefits are predominantly at the higher education level. The exclusion from taxable income of veterans readjustment benefits (the GI bill) is estimated to reduce Federal revenues by \$0.2 billion in 1976, and to make these benefits correspondingly more valuable to their recipients. The similar exclusion for other scholarships and fellowships results in a revenue loss of \$0.2 billion in 1976. Parents may claim a personal exemption for full-time students over 18, even if the students have a substantial income of their own. This tax expenditure of \$0.7 billion in 1976 aids families with older children in school. Finally, the deductibility of contributions to educational institutions is estimated to reduce Federal receipts by \$0.6 billion in 1976. This provision allows individuals and businesses to make a dollar's contribution to education at a net cost to themselves of considerably less than \$1.

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

	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Total, higher education.....	5,992	7,413	7,430
2-year institutions.....	1,572	2,033	1,999
Other undergraduate.....	3,166	3,961	4,112
Graduate and professional.....	1,254	1,419	1,319
Current operations.....	1,083	1,181	1,081
Facilities and equipment.....	432	472	440
Student support.....	4,391	5,661	5,782
Education personnel training.....	45	44	63
Educational research.....	41	55	64

There is a shift in the level of educational institutions benefiting from Federal education expenditures. Outlays for 2- and 4-year institutions will increase \$1.4 billion from 1974 to 1976 almost entirely accounting for the increase in Federal outlays for higher education over the 2-year interval.

More than half of higher education funds, \$4.1 billion, are estimated to go to 4-year undergraduate institutions in 1976. Of the remainder, \$2.0 billion will go to 2-year institutions and \$1.3 billion to graduate and professional schools.

STUDENT SUPPORT

About \$5.8 billion of student support will be available in 1976, 86% of which will be undergraduate student assistance. The GI bill will provide 44% of student assistance. The Office of Education will spend another 33% or an estimated \$1.9 billion to support various grant, loan and work-study programs.

The Office of Education estimates that almost 4 million student grants and loans will be made in 1976 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 21% from 1975 to 1976 after allowances for program overlap are taken into account.

Table I-10. STUDENT SUPPORT BY AGENCY: FEDERAL OUTLAYS AND NUMBER OF STUDENTS

Agency	Outlays (millions)			Student (thousands)		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Undergraduate:						
Health, Education, and Welfare:						
Office of Education.....	853	1,551	1,779	2,523	3,169	3,825
Social Security Administration.....	618	695	785	430	446	461
Health agencies and other.....	47	45	28	59	43	35
Veterans Administration.....	1,991	2,332	2,191	1,211	1,272	1,132
Defense.....	95	121	123	72	81	80
Justice.....	31	34	22	87	88	51
Other.....	33	43	42	24	23	23
Subtotal, undergraduate.....	3,668	4,821	4,970	-----	-----	-----
Graduate:						
Health, Education, and Welfare:						
National Institutes of Health.....	89	102	91	13	12	12
Office of Education.....	90	110	126	293	292	327
Other.....	113	149	150	74	61	59
Veterans Administration.....	317	370	348	193	202	180
National Science Foundation.....	16	11	13	2	2	2
Defense.....	83	82	71	4	4	3
Other.....	15	16	13	8	7	5
Subtotal, graduate.....	723	840	812	-----	-----	-----
Total ¹.....	4,391	5,661	5,782	-----	-----	-----

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 earlier education special analyses the following tables are provided which display program and agency outlays by education sublevels in 1974, 1975, and 1976.

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

Sublevel, agency and program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Early childhood:			
Food and nutrition service.....	25	33	5
Elementary and secondary.....	150	163	139
Child development.....	409	436	465
Appalachian regional development.....	24	25	22
Other.....	45	41	45
Subtotal, early childhood.....	653	698	676
Elementary and secondary:			
Food and Nutrition Service.....	1,242	1,584	1,458
Defense.....	205	196	215
Office of Education:			
Educationally deprived children.....	1,460	1,599	1,755
Other ESEA.....	56	124	289
Federally affected areas.....	559	631	371
Emergency school aid.....	203	205	121
Education for the handicapped.....	43	40	56
Occupational and vocational education.....	334	373	387
Student grants (OASDI).....	244	274	309
Bureau of Indian Affairs.....	142	174	164
Public service jobs.....	129	208	176
Community Planning and Development.....	63	38	31
Veterans readjustment.....	67	86	80
Other.....	262	329	327
Subtotal, elementary and secondary.....	5,009	5,861	5,739
Supporting services:			
Office of Education:			
Educational development.....	184	117	32
Education for the handicapped.....	60	66	62
National Institute of Education.....	45	33	33
Department of Defense.....	43	41	47
National Science Foundation.....	26	29	24
Other.....	4	7	11
Subtotal supporting services.....	362	293	209
Total.....	6,024	6,852	6,624

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

Sublevel, agency and program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
2-year institutions:			
Office of Education:			
Basic opportunity grants.....	24	225	251
Other higher education.....	172	231	270
Occupational and vocational education.....	140	156	151
Student grants (OASDI).....	67	75	85
Health Resources Administration.....	66	70	47
Veterans readjustment.....	1,000	1,171	1,099
Other.....	103	105	96
Subtotal, 2-year institutions.....	1,572	2,033	1,999
Other undergraduate:			
Military service academies.....	220	240	262
Reserve Officers Training Corps.....	157	165	171
Health manpower (NIH).....	87	98	66
Office of Education:			
Basic opportunity grants.....	25	226	251
Work-study and supplementary grants.....	204	361	407
Guaranteed student loans.....	177	222	262
Construction loans and grants.....	52	44	47
Disadvantaged students and developing institutions.....	91	118	125
Direct student loans.....	239	216	266
Other.....	51	99	110
Student grants (OASDI).....	552	620	700
Special institutions.....	53	56	48
Office of the Secretary.....	66	61	60
Bureau of Indian Affairs.....	16	25	26
International Development Assistance.....	29	53	95
Veterans readjustment.....	992	1,162	1,092
National Science Foundation.....	19	23	26
Other.....	136	172	98
Subtotal, other undergraduate.....	3,166	3,961	4,112
Graduate and professional:			
Health Services Administration.....	21	24	26
Health manpower (NIH).....	144	164	141
ADAMHA.....	75	95	71
Health Resources Administration.....	392	445	405
Higher education.....	120	121	134
Social and Rehabilitation Service.....	17	18	12
Special institutions.....	31	38	39
Veterans readjustment.....	317	370	348
Department of Defense.....	89	89	89
National Science Foundation.....	17	14	19
Other.....	31	41	35
Subtotal, graduate and professional.....	1,254	1,419	1,319
Total.....	5,992	7,413	7,430

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

Sublevel, agency and program	Outlays (millions)		
	1974 actual	1975 estimate	1976 estimate
Adult basic and extension:			
Agriculture extension service.....	193	214	220
Office of Education.....	96	103	107
Social Security Administration.....	75	84	95
Veterans readjustment.....	538	588	472
Other.....	57	75	79
Subtotal, adult basic and extension.....	959	1,064	973
Public and national library services:			
Library of Congress.....	86	102	121
Library resources (OE).....	44	48	37
Other.....	17	18	20
Subtotal, public and national library services.....	147	168	178
Training of Federal, State, and local civilian employees:			
Justice.....	9	10	10
Federal Aviation Administration.....	6	13	17
Other.....	23	32	45
Subtotal, training of public civilian employees.....	38	55	72
Training of Federal military employees:			
Defense.....	446	479	491
Coast Guard.....	20	22	22
Subtotal, training of Federal military employees.....	466	501	513
Foreign educational activities:			
State.....	29	31	37
Subtotal, foreign educational activities.....	29	31	37
Other:			
Office of Education, salaries and expenses.....	77	112	105
Other Office of Education.....	136	136	113
National Institute of Education.....	44	43	46
Smithsonian Institution.....	36	44	56
Corporation for Public Broadcasting.....	22	27	32
National Foundation on the Arts and Humanities.....	14	25	26
Other.....	41	43	38
Subtotal, other.....	370	430	416
Total.....	2,009	2,249	2,189

Table 1-14. FEDERAL FUNDS FOR EDUCATION BY AGENCY

Agency	Outlays (millions)			Budget authority (millions) 1976
	1974 actual	1975 estimate	1976 estimate	
Legislative branch:				
Library of Congress.....	86	102	121	124
Funds appropriated to the President:				
International Development Assistance.....	49	91	157	107
Appalachian Regional Commission.....	63	73	71	45
Agriculture.....	1,521	1,895	1,748	1,720
Commerce.....	13	14	16	17
Defense—Military.....	1,200	1,274	1,348	1,533
Defense—Civil.....	1	1	-----	21
Health, Education, and Welfare:				
Office of Education.....	4,885	5,965	6,043	5,963
Other HEW.....	2,508	2,781	2,779	2,461
Housing and Urban Development.....	91	36	13	34
Interior.....	200	242	232	234
Justice.....	54	62	48	43
Labor.....	129	208	176	176
State.....	36	38	46	46
Transportation.....	29	38	42	42
Treasury.....	50	88	52	30
Atomic Energy Commission.....	5	6	9	9
Environmental Protection Agency.....	6	4	3	3
General Services Administration.....	11	12	14	14
National Aeronautics and Space Administration.....	5	4	4	4
Veterans Administration.....	2,914	3,377	3,091	3,105
Other independent agencies:				
ACTION.....	15	15	17	19
Corporation for Public Broadcasting.....	22	27	32	70
National Foundation on the Arts and Humanities.....	28	45	51	100
National Science Foundation.....	65	69	71	69
Smithsonian Institution.....	36	44	56	56
United States Information Agency.....	3	3	3	3
Total.....	14,025	16,514	16,243	16,048

SPECIAL ANALYSIS J

FEDERAL MANPOWER PROGRAMS

SCOPE OF THIS ANALYSIS

Federal manpower programs aim to increase the skills and employment opportunities of individuals already in the work force and of persons who desire to join the work force but lack vocational preparation or face other employment barriers. Manpower programs provide skill training, rehabilitation, transitional employment experience, job placement assistance, and related child care and social and health services.

Manpower programs are distinguished from educational programs by their operating characteristics. Generally, they: (1) Operate outside the normal educational process, (2) provide skill training for non-professional jobs, (3) provide services for less than 1 year, and (4) target on the disadvantaged or unemployed sector of the population.

This analysis covers all programs classified as manpower training in the functional classification of the budget. It also includes some programs directed toward similar objectives from other functional classifications such as income security, and veterans benefits and services.

Not included in this analysis are programs of vocational and technical education and paraprofessional training, such as are authorized by the Vocational Education Act, Adult Education Act, and Elementary and Secondary Education Act. As a practical matter at the local operational level, these programs may be considered in the same context. However, since they operate within the normal educational process they are covered in Special Analysis I, Federal Education Programs.

The 1976 budget provides \$6.3 billion for manpower programs to serve an anticipated 2.9 million new enrollees.

PROGRAM DEVELOPMENTS

COMPREHENSIVE MANPOWER ASSISTANCE (CMA)

The delivery system for the largest single appropriation for manpower services is changing radically as a result of the move to special revenue sharing through decentralized and decategorized programming. Entering its second full-year of operation in 1976, the Comprehensive Employment and Training Act (CETA) has substituted broad-based formula grants to State and local governments for narrow categorical programs. CETA provides local discretion within broad Federal priorities for local officials to plan and operate training and employment programs that best fit the needs of the local labor market situation.

Basic program appropriations for this legislation (titles I through V) are reflected in the budget under Department of Labor, Comprehensive Manpower Assistance.

In 1975 States and localities are spending about \$2.2 billion under CMA to finance locally conceived manpower plans. Other CMA activity includes national training programs for migrant workers, Indians, and the Job Corps, as well as research and evaluation projects.

MODEL CITIES

Manpower activity formerly carried out through the model cities program under the Department of Housing and Urban Development (HUD) will be affected by title I of the Housing and Community Development Act of 1974. This title establishes a new community development block grant program to succeed seven terminated categorical programs, including model cities. Information is not currently available on the degree to which localities will use grant funds for manpower activity. HUD financed manpower activity will be reflected in future Special Analyses if data become available.

ACTION-FOSTER GRANDPARENTS

Prior Special Analyses included funds for this program. The Domestic Volunteer Service Act of 1973 mandates that participants be out of the labor force. This program is therefore not appropriate for inclusion.

TEMPORARY EMPLOYMENT ASSISTANCE (TEA)

In response to economic conditions, the Administration requested legislation to expand unemployment compensation and to increase public job opportunities in October, 1974. Legislation was enacted December, 1974. Unemployment compensation is discussed in Special Analysis L, Income Security. Temporary public jobs were authorized by the Emergency Jobs and Unemployment Assistance Act. Funds were appropriated under the temporary employment assistance account. Approximately 110,000 temporary jobs will be financed in calendar 1975. The program is administered by the Department of Labor through grants to States, localities, and Indian tribes.

WORK INCENTIVE PROGRAM (WIN)

Employable recipients of Aid to Families with Dependent Children (AFDC) are required to register for the WIN program which provides job placement, counseling, and training. Child care and related supportive services are available depending on client needs. Increasing emphasis is being placed on referring WIN registrants to available jobs. Some are offered placement in subsidized jobs, training, and basic education.

VOCATIONAL REHABILITATION (VR)

The HEW VR program began to provide rehabilitation services to the aged, blind, and disabled under the new supplemental security

income program which became operational January 1, 1974. VR programs are also operated by the Veterans Administration (VA).

PROJECT TRANSITION

In the Department of Defense, Project Transition provided assistance to servicemen prior to discharge. At congressional direction, Transition in 1975 became a part of the regular Defense activity, rather than a special separately funded program. No applicable data is therefore available after 1974.

COMMUNITY SERVICES ADMINISTRATION (CSA)

The Community Services Act of 1974 has replaced the Office of Economic Opportunity with a new Community Services Administration. CSA activity reported in this analysis reflects an estimate of manpower activity undertaken by community action agencies.

PROGRAM APPROACHES

Manpower programs are classified into seven major approaches to summarize the delivery of services. Those approaches and the activities included in each are as follows:

- On-the-job training—provides training for regular job vacancies generally by reimbursing employers for the added costs of hiring and training disadvantaged individuals. Employers are generally expected to retain the individual once reimbursement ends.
- Institutional training—provides instruction in vocational skills and remedial education in a classroom setting.
- Vocational rehabilitation—helps individuals overcome physical and mental handicaps to employment, through skill training, counseling, allowances and supportive services.
- Work experience—provides temporary employment experience, generally part time, primarily for youth and older workers.
- Public service employment—provides employment, generally intended to be transitional, in public sector jobs for individuals who (1) need to acquire work discipline and skills to compete for nonsubsidized jobs, or (2) who are temporarily unable to find regular employment.
- Labor market services—encompasses services to assist individuals in obtaining employment, including (a) job placement assistance, (b) collection and analysis of labor market information, (c) equal employment opportunity activities (excluding individual agency civil rights activities other than contract compliance—see Special Analysis M), (d) supportive services such as child care, health care, transportation, legal aid, and counseling which enable individuals to participate in training and to take and hold jobs, and (e) other miscellaneous activities.
- Federal program support—includes research, development and evaluation activities as well as planning, technical assistance and program direction.

Some activities can be classified entirely under one approach. Others, such as WIN and CMA, offer a range of work, training and supportive services, and thus are divided among several approaches.

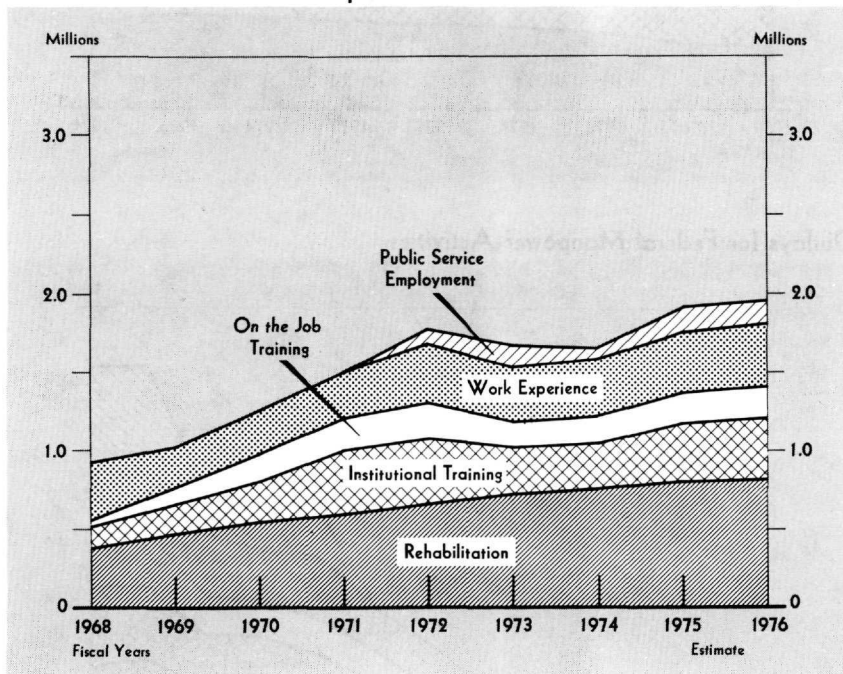
Estimates by approach for State and local programs under CMA, in 1975 and 1976 are based on program operating plans submitted by prime sponsors for 1975. Data attributed to CMA in 1973 and 1974 were derived from amounts for the comparable portions of the categorical program authorities which CETA has replaced. For purposes of indepth program analysis and evaluation, detailed data on program participants is available at the local level and through surveys.

PROGRAM MEASURES

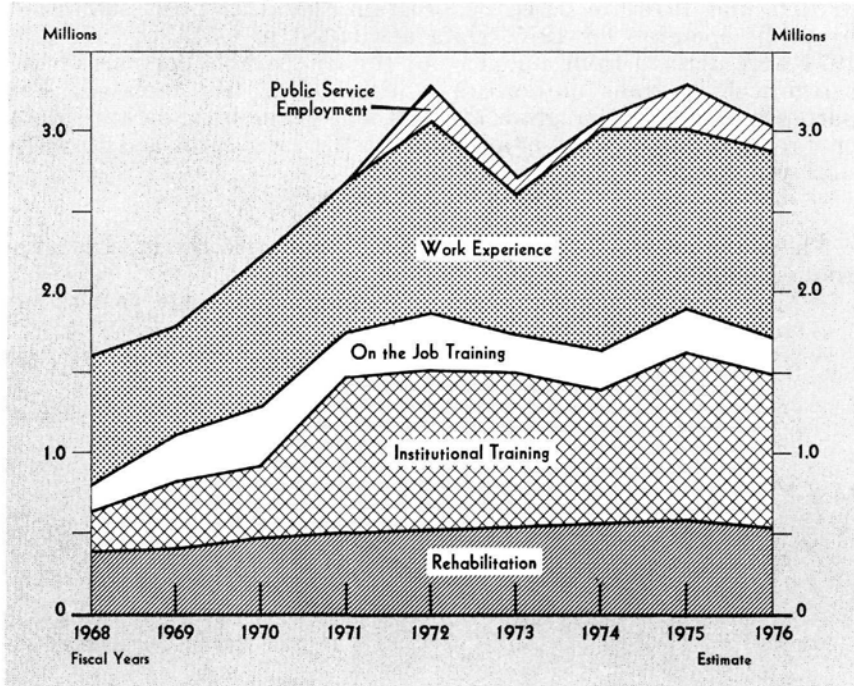
The three principal measures used to summarize the level of program services are:

- Man-years of service, which measures the average year-round enrollment;
- New enrollees, which counts the number of individuals entering the activity during the year; and
- Outlays, which measures the level of expenditures during a fiscal year.

Man-Years of Service in Manpower Activities



New Enrollees in Manpower Activities



Outlays for Federal Manpower Activities

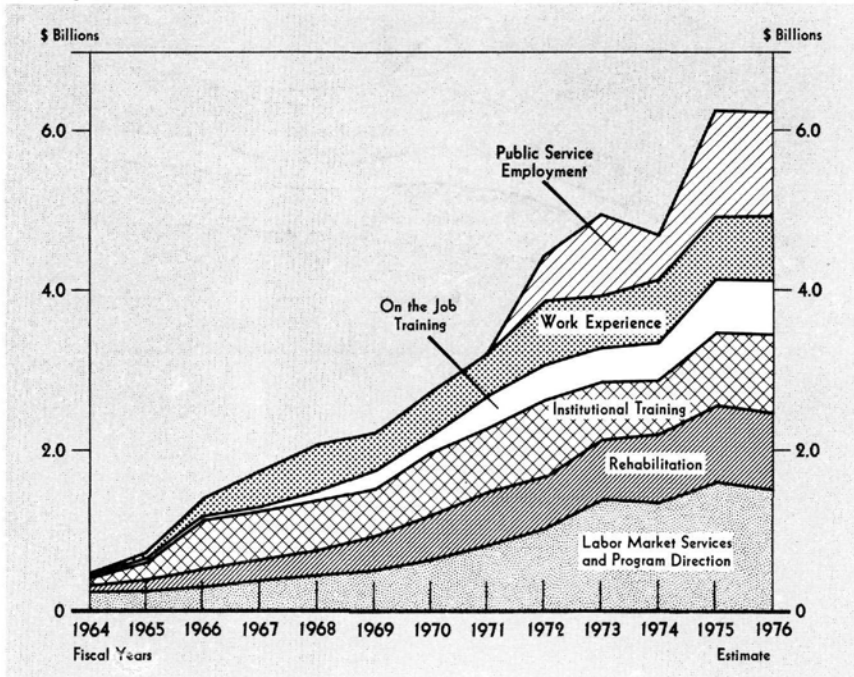


Table J-1. DISTRIBUTION OF APPROACH CATEGORIES (in percent)

	Outlays			Man-years			New enrollees		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Public service employment.....	12	22	21	4	9	2	3	8	5
Work experience.....	17	12	13	23	20	20	44	34	38
On-the-job training.....	10	10	10	11	11	10	8	8	8
Institutional training.....	14	15	16	17	19	19	27	32	31
Rehabilitation.....	18	15	15	45	41	42	18	18	18
Labor market services.....	29	26	25	-----	-----	-----	-----	-----	-----

PROGRAMS BY APPROACH

The following tables show activity of major programs by approach. Narratives with each table reference only significant changes reflected on the tables, and include program descriptions if necessary.

On-the-job training (OJT).—Outlays for veterans OJT in 1975 and 1976 reflect the provisions of Public Laws 93-508 and 93-602, which increased the monthly allowances for OJT by 22.7%. Differences in the relationships among programs between man-years and new enrollees are due to variances in duration of enrollment.

Table J-2. ON-THE-JOB TRAINING (outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Comprehensive manpower assistance.....	153	276	306	42	60	66	116	138	139
Work incentive program.....	58	53	46	11	10	9	33	13	13
On-the-job training for veterans.....	262	319	301	123	132	124	95	101	74
Other.....	10	7	6	2	2	1	8	4	2
Total.....	483	655	659	178	204	200	252	256	228

Institutional training.—Included in this approach under CMA is the Job Corps, a specialized program conducted in a residential setting for youth aged 14 through 21 for which an outlay of \$171 million is expected in 1976. The primary component of Job Corps is institutional training but with emphasis on the provision of supportive services to prepare disadvantaged youth for entry into the labor market.

The entry for social services on this table and hereafter is for programs operated by State agencies for public assistance recipients, but is exclusive of service to WIN participants.

Other institutional training includes programs for Indians, offenders, and others.

Table J-3. INSTITUTIONAL TRAINING (outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Comprehensive manpower assistance.....	535	801	870	85	142	155	208	349	350
Work incentive program.....	47	18	18	20	8	8	58	5	10
Social services training.....	30	62	50	170	200	188	523	650	575
Other.....	44	43	52	12	11	11	44	41	22
Total.....	656	924	990	287	361	362	833	1,045	957

Vocational rehabilitation.—Outlays for veterans in VA rehabilitation programs reflect the 22.7% increase in allowances effective September 1, 1974.

Table J-4. VOCATIONAL REHABILITATION

(outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
HEW vocational rehabilitation....	755	819	830	736	779	799	540	560	516
Veterans vocational rehabilitation....	85	131	133	15	21	20	17	27	21
Total.....	840	950	963	751	800	819	557	587	537

Work experience.—Includes summer youth program under CMA. In light of the magnitude of resources available in basic grants, it is expected that prime sponsors will operate programs in calendar years 1975 and 1976 at approximately the same levels as calendar year 1974. The 1974 entry for other youth programs reflects the use by States and localities of funds available under emergency employment assistance for the calendar year 1973 summer youth program.

Table J-5. WORK EXPERIENCE (outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Comprehensive manpower assistance.....	613	674	717	275	327	354	1,076	1,038	1,089
Other youth programs.....	162	82	81	93	59	47	265	63	53
Work incentive program.....	5	4	4	3	3	2	17	12	9
Other.....	12	17	6	2	4	1	9	7	2
Total.....	792	777	808	373	393	404	1,367	1,120	1,153

Public service employment.—Outlays for Emergency employment assistance reflect spending out of appropriations for which authority was available only in 1972 and 1973. CMA includes authority under regular prime sponsor grants (title I), special grants in areas with an unemployment rate of 6.5% or more for 3 consecutive months (title II) and national programs (title III). Shown separately on the line "CMA/EEA" is the effect of a one-time appropriation enacted at the end of 1974 under CETA transitional authority to extend financing of projects originally funded by the expired Emergency Employment Act. Additional jobs were made available under temporary employment assistance, authority for which expires in 1975.

Table J-6. PUBLIC SERVICE EMPLOYMENT

(outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Comprehensive manpower assistance.....	-----	666	625	-----	73	69	-----	127	117
CMA/EEA.....	-----	250	-----	-----	28	-----	-----	30	-----
Emergency employment assistance.....	516	58	-----	59	21	-----	66	11	-----
Temporary employment assistance.....	-----	350	650	-----	39	72	-----	113	42
Work incentive program.....	34	31	29	5	5	4	11	3	4
Total.....	550	1,355	1,304	64	166	145	77	284	163

Labor market services.—*Job placement assistance.*—The State Employment Service (ES), is the major federally financed deliverer of job placement assistance for the general labor force, as well as the disadvantaged. In cooperation with welfare agencies, ES also provides placement services to WIN and food stamp recipients. Specialized placement assistance is provided by the Veterans Administration and the Bureau of Indian Affairs.

Labor market information.—Activities are those of the Department of Labor.

Equal employment opportunity.—Includes the Equal Employment Opportunity Commission, the Employment Standards Administration of the Department of Labor (including the Office of Federal Contract Compliance—OFCC, the equal pay, and age discrimination programs), and contract compliance activities within other agencies conducted under OFCC aegis.

Table J-7. **JOB PLACEMENT ASSISTANCE, LABOR MARKET INFORMATION AND EQUAL EMPLOYMENT OPPORTUNITY** (in millions of dollars)

	Outlays		
	1974 actual	1975 estimate	1976 estimate
Employment service.....	414	492	481
Work Incentive program.....	74	97	100
Food stamp recipient services.....	16	24	28
Other placement assistance.....	53	39	38
Labor market information.....	38	48	56
Equal employment opportunity.....	75	95	104
Total	670	795	807

Supportive services.—The social services program funds child care services directly through State social service agencies and also supports child care through an income disregard to the AFDC payment. Data for services other than child care are based on total costs, including when applicable, the local matching portion.

Table J-8. **CHILD CARE** (outlays in millions of dollars)

Program	Outlays		
	1974 actual	1975 estimate	1976 estimate
Child care:			
Work incentive program.....	44	42	47
Social services program.....	343	555	446
Model Cities.....	11	6	5
Subtotal	398	604	498

Table J-9. **APPLICABLE COSTS FOR SUPPORTIVE SERVICES FOR SELECTED PROGRAMS** (in percent)

	1974 actual	1975 estimate	1976 estimate
CMA (State and local).....	(¹)	12	12
Work incentive program.....	55	62	63
HEW vocational rehabilitation.....	79	79	79
Veterans programs.....	6	6	6
Indian programs (Interior).....	21	21	15

¹ Comparable data not available.

Federal program support.—Activities shown are funded primarily by the Department of Labor. Program direction includes costs for national program planning and administration.

Table J-10. FEDERAL PROGRAM SUPPORT (in millions of dollars)

Program	Outlays		
	1974 actual	1975 estimate	1976 estimate
Research and development.....	20	14	18
Evaluation.....	3	4	7
Planning and technical assistance.....	11	11	9
Program direction.....	90	103	104
Total.....	124	132	138

Costs by approach.—Costs include the various labor market and supportive services usually provided to supplement the indicated training or work program, as well as administrative and training costs. Cost changes reflect minimum wage increases and inflation effect.

Table J-11. COSTS BY APPROACH, 1973 AND 1975

	Average man-years per participant (years)		Average cost per man-year (dollars)		Average cost per participant (dollars)	
	1973	1975	1973	1975	1973	1975
On-the-job training.....	0.72	0.81	2,625	3,241	1,885	2,638
Institutional training.....	.28	.30	2,669	2,622	742	793
Vocational rehabilitation.....	1.25	1.26	1,091	1,310	1,364	1,649
In-school work experience.....	.64	.68	1,275	1,422	815	966
Postschool work experience.....	.28	.26	2,290	2,082	645	542
Public service employment.....	.92	.71	7,963	8,840	7,332	6,315

IMPACT OF MANPOWER PROGRAMS

There are significant limitations to the ability to discern the impact that manpower programs exert on national economic conditions, especially since impact on total employment conditions cannot yet be adequately measured or controlled. This constrains assumptions of the value of program change as a means of altering basic economic conditions. For example, the potential impact of one of the largest approaches, public service employment, is diluted by substitution effects. Under the Emergency Employment Act (FY 1972-74) only about 40% to 50% of funds for programs financing transitional public service employment appear to have created new jobs. The balance appears to have resulted in substituting Federal funding for jobs that would otherwise have been funded by States and localities. The degree of substitution tends to increase substantially the longer a public jobs program is in place.

In other programs, services are oriented first toward overcoming individual barriers to employment, not to affecting overall labor market conditions.

In addition, experience has shown that it is extremely difficult from the national level to precisely design programs that can target effects properly on the particular nature of problems for local workers affected by discrete economic factors. Limitations that operate at the national level are not necessarily a factor restricting manpower programs planned and operated in specific local areas. The goal of Comprehensive Manpower Assistance is to enable more direct response to local needs in accord with the broad direction indicated by national trends.

People served.—Most Federal manpower programs focus on low-income individuals and others with severe barriers to employment as they are least likely to be able to improve their employment opportunities without assistance. Changes over time in characteristics of participants frequently result from programmatic or statutory changes rather than shifts within the general population served. For example, decreases in the proportion of those with less than a high school education is largely reflective of increases in the proportion hired for jobs with relatively high entry standards under public jobs programs.

Manpower programs generally target by statute on the poor, the unemployed, the less educated, minorities, youth, and welfare recipients.

Table J-12. CHARACTERISTICS OF UNEMPLOYED WORKERS, ADULT POVERTY POPULATION AND MANPOWER PROGRAM PARTICIPANTS

	Unemployed workers (age 16 and above) civilian noninstitutional ¹			Poverty population (age 14-64) civilian noninstitutional ²			Manpower program participants (age 14 and above) ³		
	1970	1972	1974	1970	1972	1974	1970	1972	1974
Average number (millions)	4.1	4.8	5.1	11.1	12.7	12.1	1.3	2.3	2.1
Percent:									
Age 21 or less	37	38	39	23	31	32	36	31	31
Male	55	54	53	39	39	39	58	48	44
Less than high school education ..	46	48	47	68	66	NA	56	47	43
Poor	17	21	20	100	100	100	73	75	67
Welfare recipients	NA	NA	NA	35	NA	NA	23	43	42
Minority	18	20	20	30	33	31	40	40	35

¹ Poor represent family heads; less than high school educated based on March CPS.

² Does not include Spanish-speaking.

³ Excludes in-school programs.

NA—Not available.

Table J-13. CHARACTERISTICS OF ENROLLEES BY APPROACH,
1970, 1972, 1974 (in percent)

	Poor			21 or younger			Less than high school education		
	1970	1972	1974	1970	1972	1974	1970	1972	1974
On-the-job training.....	61	72	53	30	31	24	47	43	33
Institutional training.....	89	94	92	36	36	32	56	49	42
Vocational rehabilitation.....	67	67	63	21	23	25	55	50	44
Work experience.....	99	100	100	95	97	93	96	84	91
Public service employment.....	-----	-----	-----	-----	14	34	-----	25	36

	Male			Minority race			Welfare recipients		
	1970	1972	1974	1970	1972	1974	1970	1972	1974
On-the-job training.....	75	73	74	43	39	28	12	13	29
Institutional training.....	52	28	21	54	49	41	57	77	78
Vocational rehabilitation.....	58	57	58	21	21	23	11	15	18
Work experience.....	53	58	54	56	53	55	29	29	37
Public service employment.....	-----	72	65	-----	36	40	-----	11	18

SELECTED PROGRAM ACCOMPLISHMENTS IN 1974

- 232,200 individuals placed in jobs through CMA training programs.
- 177,300 WIN participants placed in jobs, 118,500 of which lasted 90 days or more.
- Assistance provided to programs serving 400,000 apprentices.
- 3 million individuals placed in 4-day or longer jobs by the Employment Services.
- 346,000 persons rehabilitated by HEW vocational rehabilitation programs including 110,000 who were severely disabled.

MANPOWER FUNDS BY AGENCY

The following table shows manpower obligations and outlays by administering agency and major program or account. Two agencies—the Departments of Labor, and Health, Education, and Welfare will account for about 90% of all manpower outlays in 1976.

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

Agency and program	Obligations			Outlays		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Community Services Administration: CSA manpower.....	14	28	28	30	26	26
Department of Defense: Project transition.....	11	-----	-----	10	-----	-----
Department of Health, Education, and Welfare:						
Social services.....	370	624	495	373	617	495
WIN support services.....	90	70	97	108	94	97
Vocational rehabilitation.....	788	826	847	755	819	830
High school work study.....	8	8	-----	8	7	6
CETA support.....	-----	-----	2	-----	-----	2
Subtotal, HEW.....	<u>1,256</u>	<u>1,528</u>	<u>1,441</u>	<u>1,244</u>	<u>1,537</u>	<u>1,430</u>
Department of Housing and Urban Development:						
HUD manpower.....	7	19	-----	46	29	22
Department of Justice: Prisoner training.....	5	5	4	5	5	4
Department of the Interior: Indian programs.....	33	36	50	30	36	49
Department of Labor:						
Comprehensive manpower assistance.....	1,982	2,800	2,394	1,454	2,785	2,684
Emergency employment assistance.....	8	-----	-----	605	59	-----
Temporary employment assistance.....	-----	1,000	-----	-----	350	650
Work incentive training and employment.....	250	140	233	232	222	218
Food stamp recipient services.....	16	24	28	16	24	28
Older Americans Community Service Employment.....	10	-----	-----	-----	10	-----
Employment service.....	443	515	503	434	515	503
Labor market information.....	13	17	21	13	17	20
Equal employment opportunity.....	7	9	10	7	9	10
Program administration.....	88	85	85	74	85	89
Subtotal, Labor.....	<u>2,817</u>	<u>4,590</u>	<u>3,274</u>	<u>2,835</u>	<u>4,076</u>	<u>4,202</u>
Veterans Administration:						
On-the-job training for veterans.....	262	319	301	262	319	301
Veterans vocational rehabilitation.....	85	131	133	85	131	133
Veterans assistance centers.....	4	7	7	4	7	7
Subtotal, VA.....	<u>351</u>	<u>457</u>	<u>441</u>	<u>351</u>	<u>457</u>	<u>441</u>
Equal Employment Opportunity Commission: Equal employment opportunity.....	44	55	63	42	54	60
Other Federal Agencies:						
Disadvantaged youth programs.....	74	75	75	74	75	75
Federal contract compliance.....	28	33	36	26	32	34
Total.....	<u>4,641</u>	<u>6,827</u>	<u>5,411</u>	<u>4,692</u>	<u>6,326</u>	<u>6,343</u>

SPECIAL ANALYSIS K

FEDERAL HEALTH PROGRAMS¹

Overview.—Federal health programs will account for almost \$38 billion in outlays in 1976, an increase of \$2.7 billion (8%) over 1975. Federal health outlays have assumed a growing share of the Federal budget, as shown in Table K-1.

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

	Actual					Estimated	
	1969	1971	1972	1973	1974	1975	1976
Total Federal outlays.....	\$184.5	\$211.4	\$231.9	\$246.5	\$268.4	\$313.4	\$349.4
Federal health outlays.....	\$16.6	\$20.2	\$24.5	\$26.0	\$29.2	\$35.0	\$37.7
Health as percent of total outlays...	8.9	9.5	10.6	10.6	10.9	11.2	10.8

Table K-2 summarizes and distributes Federal health outlays by major category for 1974 through 1976. Expenditures for financing or providing health services, primarily through Medicare and Medicaid, account for a \$2.6 billion increase over 1975.

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

	Outlays		
	1974 actual	1975 estimate	1976 estimate
Development of health resources, total.....	4,383	5,242	5,362
Health research.....	2,085	2,424	2,512
Training and education.....	1,146	1,324	1,145
Construction.....	761	967	1,108
Improving organization and delivery.....	392	527	596
Provision of hospital and medical services, total.....	23,918	28,783	31,348
Direct Federal services.....	4,797	5,390	5,828
Indirect services.....	19,120	23,393	25,520
Prevention and control of health problems, total.....	888	1,019	989
Disease prevention and control.....	419	458	405
Environmental control.....	90	129	137
Consumer protection.....	378	432	446
Total, health programs.....	29,189	35,044	37,699

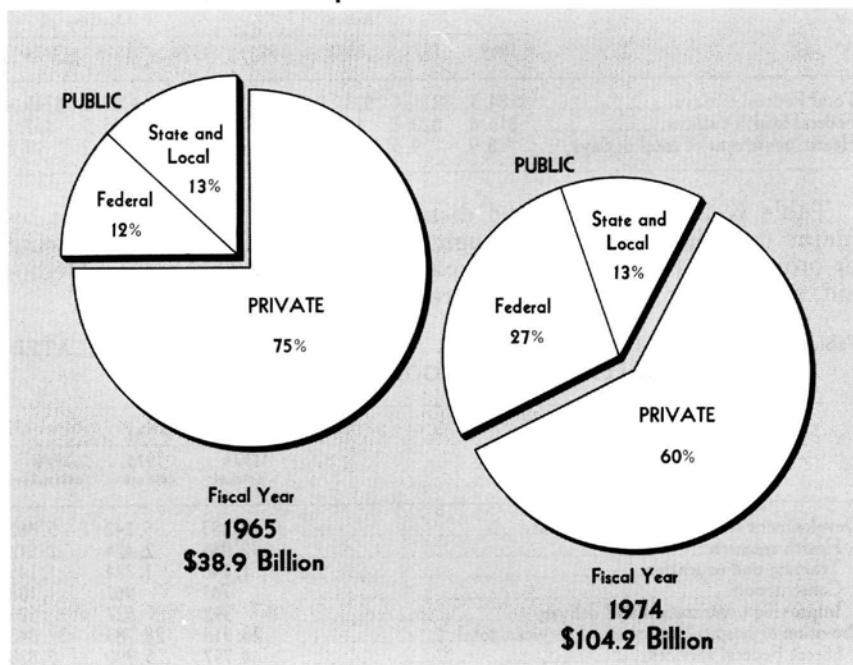
¹ Included in this analysis are outlays from many agencies and programs that fund health or health-related activities. Part 5 of the Budget estimates 1976 expenditures for health at \$28 billion; it excludes outlays of agencies and programs devoted to health, but classified under other functions such as National Defense or Veterans Benefits and Services. The following table bridges 1976 health outlays from Part 5 to the total used here (in billions of dollars):

Outlays in Part 5.....	28.0
Plus health outlays assigned to other functions in:	
Department of Defense.....	3.5
Veterans Administration.....	4.0
All other agencies.....	2.2
Total health outlays in this analysis.....	37.7

Since World War II, a number of trends have been evident with regard to health care in the United States. The most prominent trend has been the increase in total spending for health, which has grown from \$12 billion in 1950 to \$104 billion in 1974—from \$78 to \$485 per capita. Public spending on health has also increased dramatically. During the 1950–74 period, spending by Federal, State, and local governments increased from \$3 billion to \$41 billion—from 26% to 40% of the total—primarily due to the enactment of the Medicare and Medicaid programs in the 1960's. Figure K-3 illustrates both the increase in public financing as well as the increase in total expenditures from 1965 to 1974.

Public and Private Health Expenditures

K-3



Another significant trend during the 1950–74 period has been the aggregate growth in health resources. The number of active physicians, for example, has risen from 272,000 in 1963 to an estimated 363,000 in 1975. During the same time, the number of active registered nurses has grown from 582,000 to about 940,000. Presently, more than 4.4 million persons are employed in health-related careers—about 4% of the civilian labor force. Health workers comprise the third largest occupational grouping in the United States.

Increases in health spending and in the availability of health resources have coincided with downward trends in the Nation's overall death rates and infant mortality rates, which have been underway since early in the 20th century. Since that time, significant advances through research have taken place in medicine. Knowledge of how to prevent and treat disease has made possible the virtual elimination of certain diseases, particularly infectious diseases, that previously were major health problems. Table K-4 illustrates some indicators of health status in the United States. These advances have

lengthened life for many persons. On the other hand, the degenerative processes that come with age result in increased incidence of chronic diseases—which generally are more costly to treat or cure than the acute and infectious diseases.

Table K-4. SELECTED INDICATORS OF HEALTH STATUS (annual rates)

	1950	1960	1970
Birth rate (per 1,000 population).....	24.1	23.7	18.4
Death rate (per 1,000 population).....	9.6	9.5	9.5
Average life expectancy at birth in years.....	68.2	69.7	70.9
Infant mortality rate (deaths under 1 year of age per 1,000 live births).....	29.2	26.0	20.0
Leading causes of death (per 100,000 population):			
Diseases of the heart.....	355.5	369.0	362.0
Cancer.....	139.8	149.2	162.8
Cerebrovascular disease.....	104.0	108.0	101.9
Accidents.....	60.6	52.3	56.4
Tuberculosis, all forms.....	22.5	6.1	2.6
Kidney diseases.....	16.4	6.7	3.7
Diabetes.....	16.2	16.7	18.9
Cirrhosis of liver.....	9.2	11.3	15.5

The United States has the highest per capita health expenditures in the world. The general health status of Americans, however, does not compare favorably with some of the other advanced industrialized nations. Average U.S. life expectancy rates, for example, are generally lower—especially for the nonwhite population—than those for a number of Western European countries and Canada.

Table K-5. LIFE EXPECTANCY BY SEX AT SELECTED AGES, BY SELECTED COUNTRIES: 1970

Country	Age in years					
	35		55		65	
	Male	Female	Male	Female	Male	Female
Sweden.....	39.8	44.0	21.9	25.6	14.4	17.2
Canada.....	37.8	43.6	20.5	25.4	13.7	17.4
France.....	37.2	43.9	20.2	25.7	13.4	17.4
Italy.....	37.5	42.7	20.0	24.3	13.0	16.1
United Kingdom: England and Wales.....	36.6	42.2	18.9	24.1	12.0	16.0
Germany: Federal Republic.....	36.2	41.3	18.9	23.1	11.9	15.0
United States:						
Total.....	36.0	42.4	19.5	24.8	13.1	17.0
White.....	36.5	43.0	19.6	25.0	13.1	17.1
Other.....	32.5	38.5	18.5	22.7	13.3	16.4

HEALTH RESOURCES

Federal programs for the development of health resources include support for health research, health professions training and education, construction of medical and health facilities, and efforts to improve the organization and delivery of health services. The combined outlays for these programs, as shown in Table K-6, will be \$5,362 million in 1976, an increase of \$120 million from 1975.

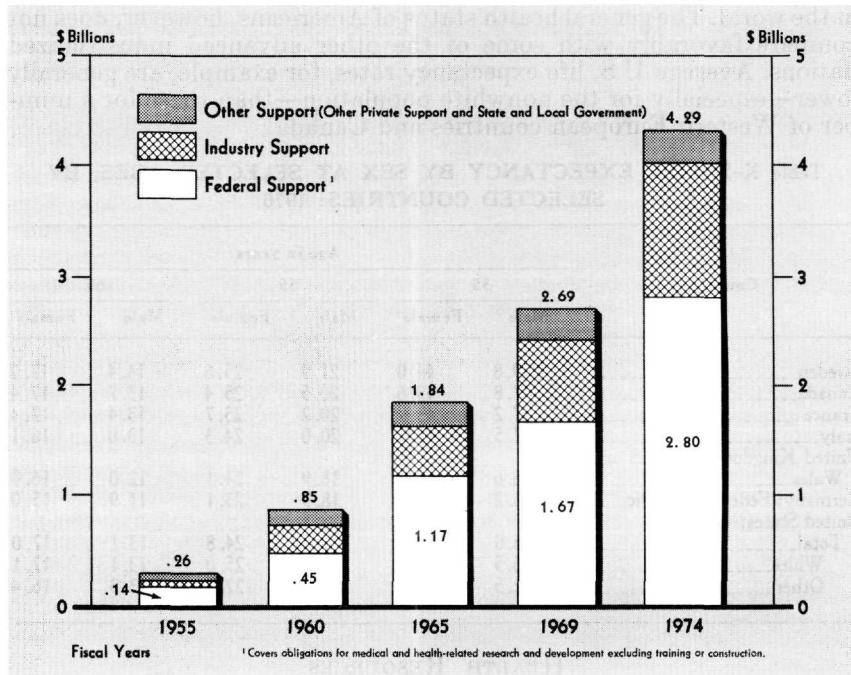
Table K-6. **FEDERAL OUTLAYS FOR DEVELOPMENT OF HEALTH RESOURCES** (in millions of dollars)

	Outlays		
	1974 actual	1975 estimate	1976 estimate
Health research	2,085	2,424	2,512
Training and education	1,146	1,324	1,145
Construction	761	967	1,108
Improving organization and delivery	392	527	596
Total	4,383	5,242	5,362

Health research.—Through the support of both basic and applied research efforts, Federal biomedical and behavioral research programs attempt to provide new knowledge for use in the diagnosis, treatment, prevention, and control of disease. Federal outlays for such research has increased tremendously in recent years, from \$1,102 million in 1966 to \$2,512 million in 1976.

Funds for Medical Research and Development

K-7



The Federal Government supports the majority of biomedical research in this country, with 65% of total biomedical research funding. The largest Federal biomedical research agency is the National Institutes of Health (NIH) within the Department of Health, Education, and Welfare (HEW). NIH administers 65% of Federal health research funds.

Table K-8. **FEDERAL OUTLAYS FOR HEALTH RESEARCH** (in millions of dollars)

	Outlays		
	1974 actual	1975 estimate	1976 estimate
Cancer.....	397	517	547
Cardiovascular.....	232	263	250
Mental health.....	123	133	124
Neurological and visual.....	140	158	151
Population and family planning.....	47	55	56
Environmental health.....	245	311	386
Aging.....	46	52	53
Metabolic diseases.....	143	161	149
Child health.....	72	82	77
Infectious diseases.....	132	132	136
Pulmonary.....	42	47	45
Dental.....	41	46	39
Other research and development.....	425	469	500
Total.....	2,085	2,424	2,512

In addition to HEW, other Federal agencies support and conduct health research in support of their program missions. The three largest such agencies are the Energy Research and Development Administration, the Department of Defense (DOD), and the Veterans Administration (VA). Together, these agencies account for 15% of all Federal biomedical research expenditures.

Table K-9. **FEDERAL FUNDS TO MEDICAL SCHOOLS** (in millions of dollars)

Agency	Outlays		
	1974 actual	1975 estimate	1976 estimate
Department of Health, Education, and Welfare.....	(1,068)	(1,116)	(1,078)
Research and development.....	759	797	787
Education and training.....	215	195	163
Construction.....	94	124	128
Department of Defense.....	(12)	(14)	(15)
Education and training.....	12	14	15
Veterans Administration.....	(0)	(13)	(18)
Education and training.....	0	13	18
National Aeronautics and Space Administration.....	(4)	(4)	(3)
Research and development.....	4	4	3
Energy Research and Development Administration.....	(11)	(12)	(13)
Research and development.....	11	12	13
Other agencies.....	(3)	(3)	(3)
Research and development.....	3	3	3
Total.....	1,098	1,162	1,130
Research and development.....	777	816	806
Education and training.....	227	222	196
Construction.....	94	124	128

Training and education.—Between 45% and 50% of the revenues of the Nation's medical schools are derived from Federal grants or contracts. Table K-9 shows the Federal funds provided to medical schools from selected agencies. These outlays do not include payments for medical services from Medicare and Medicaid.

The Federal Government will spend a total of \$1,145 million in 1976 for health training and education, as shown in table K-10. The principal programs of direct support for health professions schools are administered by HEW and include:

- operational support grants tied to enrollment levels;
- special projects to stimulate, test, and demonstrate educational reforms and innovations in all the health disciplines; and
- special educational initiatives in such areas as improving access to health professions education for the disadvantaged, developing new types of health workers, stimulating the practice of family medicine, and integrating medical education with health care delivery in medical scarcity areas.

A program of national health service scholarships—funded at a level of \$23 million—supports approximately 2,000 health professions students. These scholarships will pay all educational costs and generous stipends in return for periods of service to meet public needs, including Federal service. This program addresses the financial needs of many deserving students, the Federal Government's requirements for health professionals to discharge its essential health care responsibilities, and the problem of geographic maldistribution of health personnel.

Table K-10. **FEDERALLY AIDED HEALTH TRAINING AND EDUCATION**
(In millions of dollars)

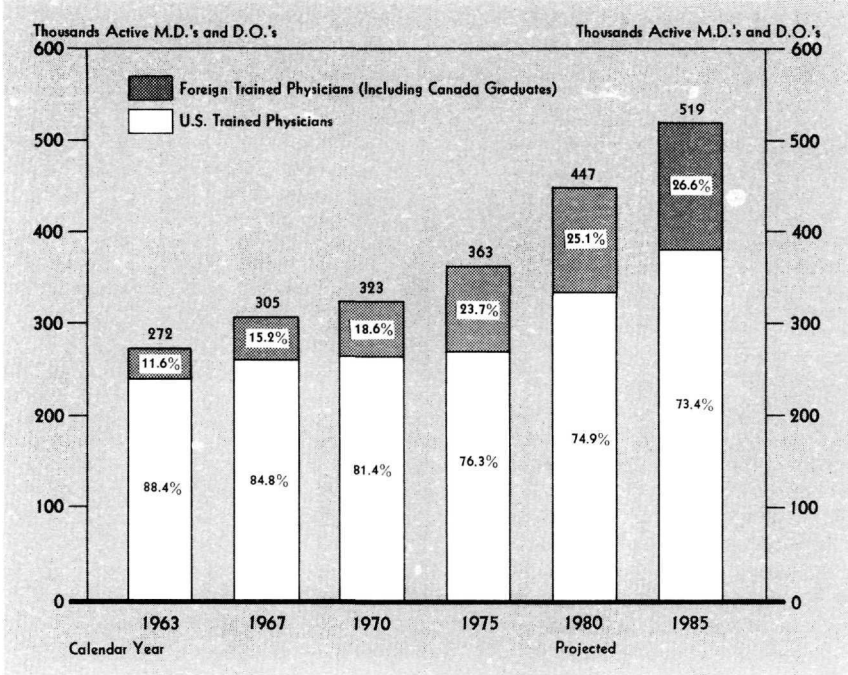
	Outlays		
	1974 actual	1975 estimate	1976 estimate
Degree or certificate training.....	989	1,133	973
Research personnel.....	105	117	105
Physicians.....	414	492	462
Dentists.....	75	86	80
Nurses.....	133	125	75
Mental health professionals.....	40	49	37
Other health professionals.....	112	139	102
Paramedical personnel.....	110	125	111
All other training.....	157	191	172
Total.....	1,146	1,324	1,145

The United States is well-supplied with total numbers of health manpower. As indicated earlier, the number of physicians in 1975 has increased 33% over the number in 1963 and registered nurses have increased by 62% in the same period. Moreover, from 1970 to 1985 the overall supply of physicians is projected to increase by 61% (Fig. K-11), dentists by 38% and registered nurses by 74%.

Despite growing numbers, the geographic distribution of physicians and other health professionals is generally far from optimal. Among the States, the number of physicians per 100,000 population range from 196 in New York and 178 in Massachusetts, to 76 in Mississippi

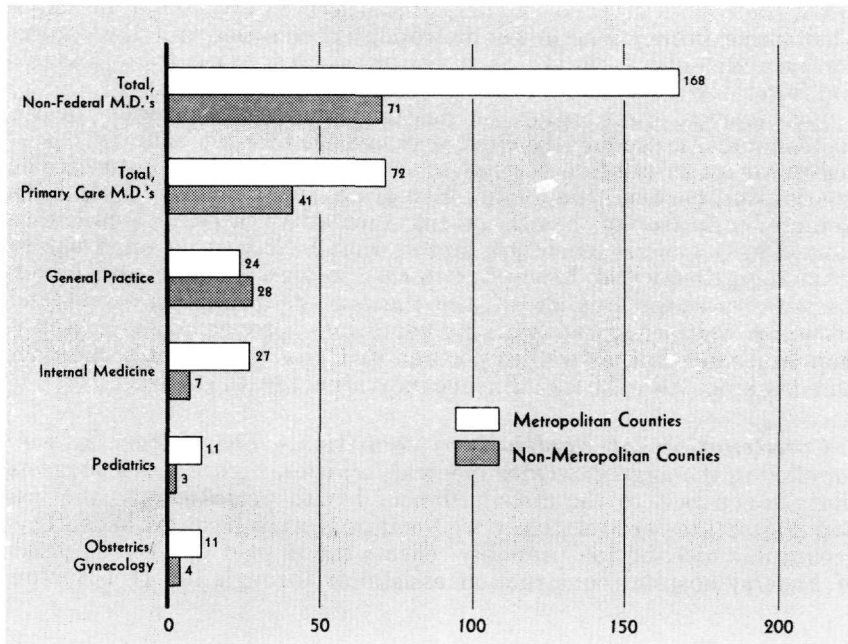
Active Physicians, Domestic and Foreign Trained

K-11



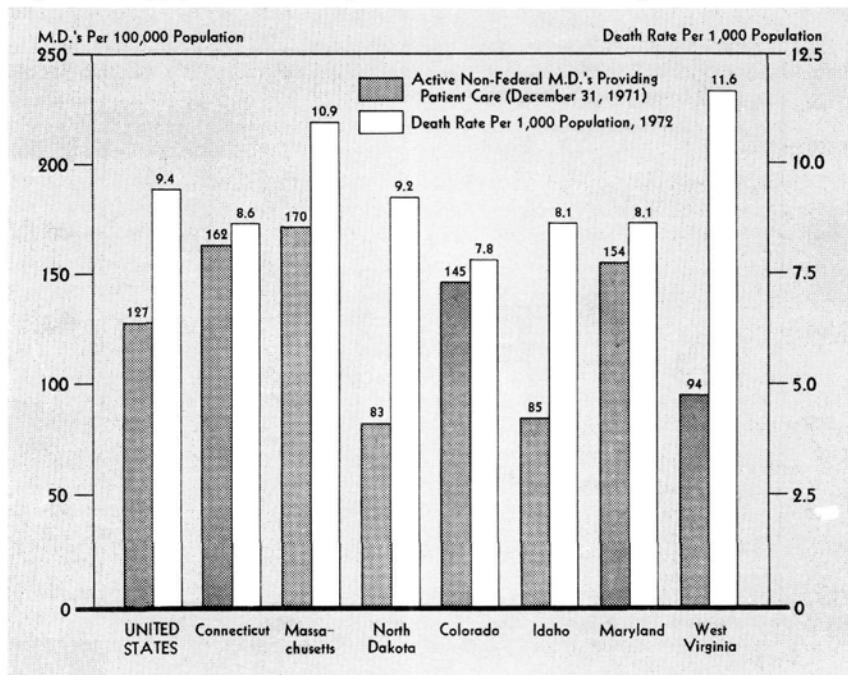
Active M.D.'s Per 100,000 Population in Metropolitan and Non-metropolitan Counties, 1973

K-12



Physician Supply and Mortality Rates in Selected States, 1972

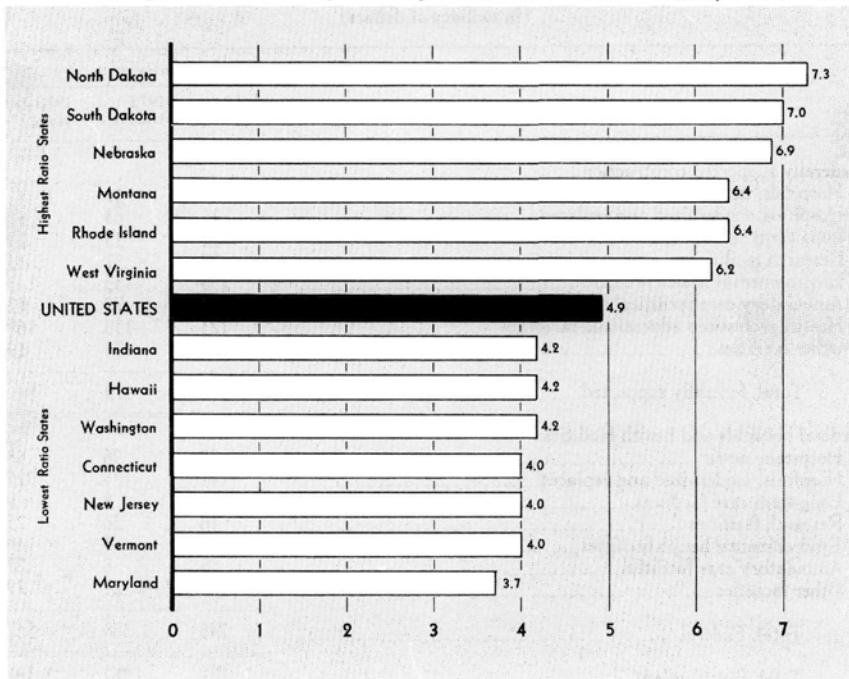
K-13



and 71 in South Dakota. Figure K-12 shows the tendency for physicians to locate disproportionately in metropolitan rather than rural counties. Approximately 25% of the Nation's 25,000 psychiatrists, for example, practice in the New York, Boston, and Washington, D.C., metropolitan areas. General practitioners are found in somewhat larger proportions in nonmetropolitan counties, but their numbers are steadily declining as older physicians retire from practice and fewer new physicians choose general practice.

The uneven distribution of health resources, especially health professionals, is frequently cited as a reason for this country's poor health status in relation to that of other comparable countries. The relationship between the availability of physicians, however, and one common indicator of health status, mortality rates, is ambiguous (Fig. K-13). Clearly, there are factors that bear heavily upon health other than the availability of health care services: genetic and hereditary factors; the quality of the natural environment; social and economic well-being; safe working conditions; proper housing, sanitation, and nutrition; as well as personal patterns of exercise, smoking, and drinking. All of these influence individual health status.

Construction of health care facilities.—The Nation is well supplied in the aggregate with medical facilities. Figure K-14 suggests that, in contrast to the distribution of health professionals, the less populous States are relatively well-endowed with hospital beds. This geographic distribution probably reflects the impact of over 25 years of Federal hospital construction assistance through the Hill-Burton

General Hospital Beds Per 1,000 Population in Selected States, 1971 K-14

program. Under its statutory formula, which favored the less populous and poorer areas, the Hill-Burton program allocated more than \$4 billion in grants to the States.

The basic task for which the Hill-Burton program was created—improving the supply of health facilities in shortage areas—is largely completed. The Hill-Burton program's expenditures have declined over the past decade, from about 13% of total national medical facility construction expenditures in 1963, to 5% in 1972. The vast majority of medical facility construction is now financed through long-term debt service of loans from the private capital markets. Depreciation costs and debt servicing are legitimate expenses included in reimbursements from health insurance. In just the four years from 1969 to 1973, for instance, the percentage of private non-profit hospital construction being financed by debt service increased from 40% to 60%. This trend offset reductions in the share of construction costs borne by government, philanthropy, and internally generated funds.

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 1976, Federal outlays for the construction of health care facilities, including environmental health facilities, are estimated at \$1,108 million.

Table K-15. HOSPITAL AND HEALTH FACILITY CONSTRUCTION

(In millions of dollars)

	Outlays		
	1974 actual	1975 estimate	1976 estimate
Federally supported construction:			
Hospitals, new.....	60	51	41
Hospitals, modernized and replaced.....	75	64	51
Long-term care facilities.....	22	25	23
Research facilities.....	27	37	33
Environmental health facilities.....	150	153	143
Ambulatory care facilities.....	42	72	62
Health professions educational facilities.....	123	153	169
Other facilities.....	17	24	19
Total, federally supported.....	516	579	541
Federal hospitals and health facilities:			
Hospitals, new.....	38	96	58
Hospitals, modernized and replaced.....	141	185	325
Long-term care facilities.....	5	8	9
Research facilities.....	18	26	25
Environmental health facilities.....	31	44	44
Ambulatory care facilities.....	5	8	27
Other facilities.....	7	21	79
Total, Federal.....	245	388	567
Total, construction.....	761	967	1,108

In 1976, \$100 million of Federal construction grant assistance will be available through HEW, primarily to correct unsafe conditions in existing medical facilities, and to assist in hospital modernization and construction of outpatient facilities in medical scarcity areas. Other Federal agencies also 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.

Organization and delivery of health services.—The principal efforts to improve the organization and delivery of health services include health services research, support of health planning at the State and local level, and limited demonstration activities. Outlays for these purposes are estimated at \$596 million in 1976.

Health services research includes studies of ways to improve the organization, delivery, quality, and financing of health care services.

In 1976, health planning will be assisted through recently authorized Federal funding of health systems agencies throughout the country, and Federal matching grants to State health planning agencies. This new program replaces the expired comprehensive health planning, regional medical program, and Hill-Burton programs.

The primary Federal health care delivery demonstration activities include:

- grants and contracts to assist States and localities in developing comprehensive emergency medical services systems;
- grants, loans, and contracts to plan, develop, and provide initial operating support for health maintenance organizations that deliver comprehensive medical care on a prepaid basis; and
- the National Health Service Corps, which will locate approximately 405 health professionals in underserved areas in 1976, to demonstrate the ability of such communities to support health personnel.

Funding for these activities is included in the following section, since health services are also financed through them.

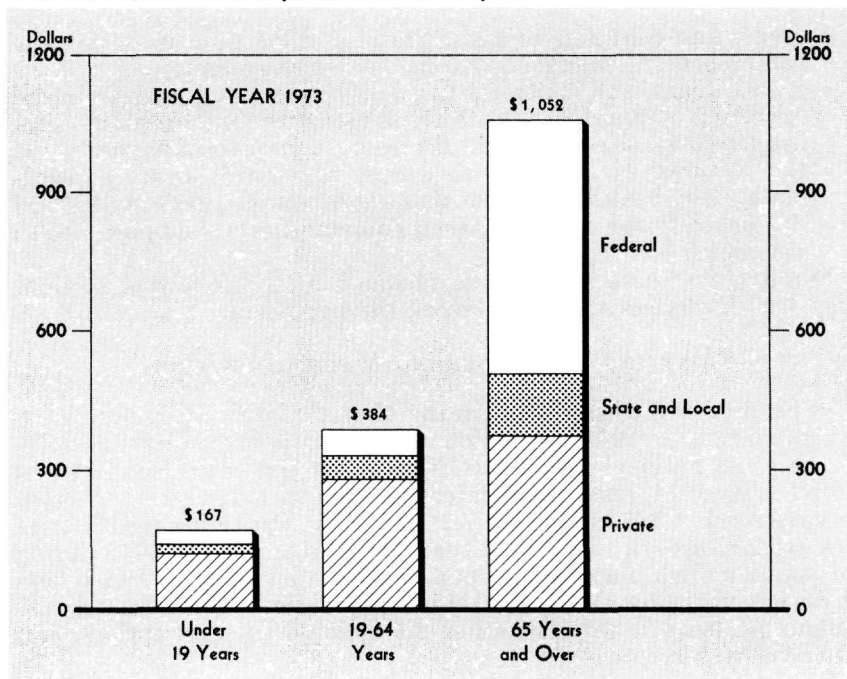
FINANCING AND PROVIDING MEDICAL SERVICES

Expenditures for health care in the United States continue to grow at a rapid rate. In 1969, \$56 billion of total health expenditures—6.2% of the gross national product (GNP)—went for health services and supplies. By 1974, just 5 years later, national spending on such health services reached \$97 billion and 7.2% of GNP. Per capita health services expenditures in the United States rose from \$271 to \$457 during this same period. These huge sums purchase annually over 1 billion physician visits by the U.S. civilian population, approximately 30 million incidents of hospitalization, 2.5 billion drug prescriptions, and other health services.

This growth in health expenditures is attributable to various factors, such as increased demand for health services by the public, payment mechanisms that reduce out-of-pocket expenditures by individual consumers and encourage inflation of charges and unnecessary utilization, expansion of health resources, and advances in medical therapies. Figure K-16 depicts health care expenditures in per capita terms for different age groups and the sources of financing these costs in 1973.

Personal Health Care Expenditures Per Capita

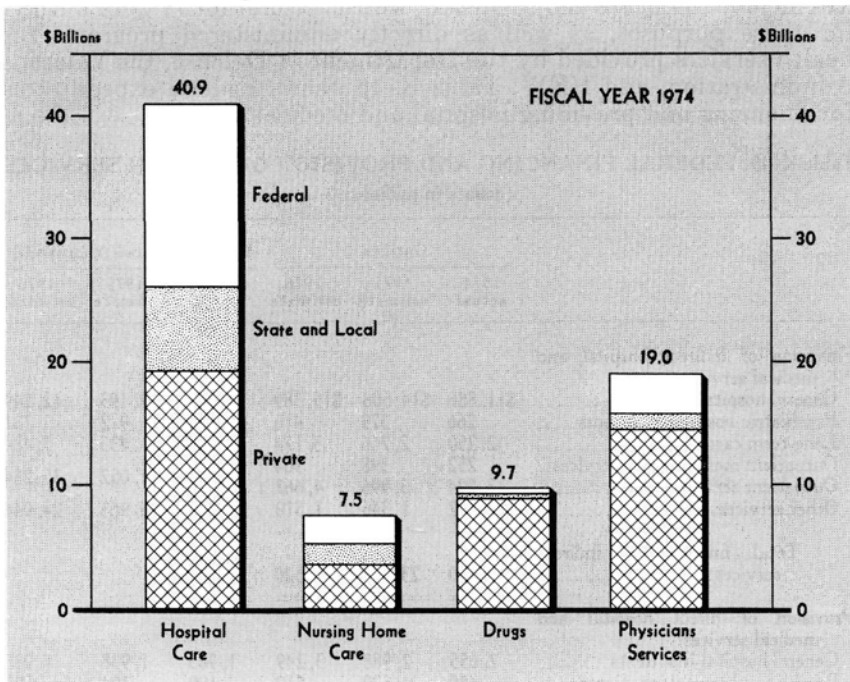
K-16



Since the enactment of the Medicare and Medicaid programs in the mid-1960's, public funds have become a major source of financing for most health services—particularly hospital and nursing home care. Figure K-17 indicates the relative importance of these funds which account for nearly 40% of national health expenditures.

Sources of Health Expenditures

K-17



The impact of the increased public spending for health care for the low-income population is reflected in changing utilization patterns for health services. While the numbers of physician visits and hospitalizations per capita have not changed markedly in the past decade, surveys now disclose that the Nation's low-income population uses these health resources at higher rates than the nonpoor population (see table K-18). Another result of the changing trends in health spending is the more than 100% growth from 1964 to 1974 in the number of residents of U.S. nursing homes. These developments stem, in large part, from increased Government financing of medical services through the Medicare and Medicaid programs for the aged, disabled, and poor, together with the different health status of the poor and nonpoor.

Table K-18. ANNUAL U.S. DOCTOR VISITS PER PERSON, 1964 AND 1973

	1964		1973	
	Poor	Nonpoor	Poor	Nonpoor
All ages.....	4.3	4.6	5.6	4.9
Under 17 years.....	2.3	4.0	3.8	4.3
17 to 44 years.....	4.1	4.7	5.7	5.0
45 to 64 years.....	5.1	5.1	6.3	5.4
65 years and over.....	6.0	7.3	6.5	6.9

Federal programs to finance or provide hospital and medical services include Medicare and Medicaid, which account for 71% of outlays for these purposes, as well as directly administered programs for health services provided by the Department of Defense, the Veterans Administration, and HEW. Table K-19 shows Federal expenditures for financing and providing hospital and medical services.

Table K-19. FEDERAL FINANCING AND PROVISION OF HEALTH SERVICES
(dollars in millions)

	Outlays			Patients treated (thousands)		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Financing of indirect hospital and medical services:						
General hospital inpatients.....	\$11,886	\$14,508	\$15,389	11,481	12,193	12,249
Psychiatric hospital inpatients.....	266	379	416	829	972	731
Long-term care inpatients.....	2,250	2,766	3,174	1,290	1,433	1,484
Outpatient mental health services..	252	398	364	35,351	37,052	35,284
Outpatient services.....	3,294	3,996	4,667			
Other services.....	1,172	1,346	1,510	23,647	23,963	24,944
Total, financing of indirect services.....	19,120	23,393	25,520			
Provision of direct hospital and medical services:						
General hospital inpatients.....	2,655	2,988	3,249	1,905	1,938	1,985
Psychiatric hospital inpatients.....	489	529	519	190	194	195
Long-term care inpatients.....	135	146	165	30	30	31
Outpatient mental health services..	28	36	42	58,671	59,831	60,896
Outpatient services.....	1,310	1,472	1,602			
Other services.....	181	220	252	6,338	6,497	6,649
Total, provision of direct services.....	4,797	5,390	5,828			
Total, financing and provision of services.....	23,918	28,783	31,348			

Medicare and Medicaid are the Federal Government's largest health activities. In 1976, they will account for over \$22 billion or 59% of Federal health outlays, and will cover more than 20% of the Nation's population.

Medicare.—Medicare finances health care for the aged, disabled, and those suffering from kidney disease. 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 \$6.70 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.

Medicare has increased rapidly in cost, rising an average of 17.5% annually from 1971-76, even including proposed savings of \$1.4 billion in 1976. Estimated outlays of \$15 billion will provide average benefits of nearly \$1,800 per person receiving hospital insurance benefits, and over \$300 per person receiving supplementary medical insurance benefits.

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

Table K-20. MEDICARE COVERAGE, BENEFITS, AND ADMINISTRATION
(In million of dollars)

	1974 actual	1975 estimate	1976 estimate
Hospital insurance (HI):			
Persons with protection (millions)	23.0	23.5	24.0
Beneficiaries receiving services (millions)	5.3	5.5	5.6
Benefit payments	\$7,806	\$9,646	\$10,020
Inpatient hospital services	\$7,537	\$9,320	\$9,683
Skilled nursing facility services	\$206	\$232	\$239
Home health services	\$64	\$94	\$98
Administrative expenses	\$259	\$287	\$330
Claims received (millions)	10.2	11.2	11.8
Supplementary medical insurance (SMI):			
Persons with protection (millions)	22.7	23.2	23.8
Beneficiaries receiving services (millions)	11.6	12.7	13.3
Benefit payments	\$2,874	\$3,551	\$4,126
Physicians' services	\$2,417	\$2,886	\$3,293
Outpatient services	\$347	\$529	\$677
Home health services	\$36	\$43	\$50
Other medical and health services	\$74	\$93	\$106
Administrative expenses	\$409	\$420	\$515
Claims received (millions)	80.6	94.6	102.5

Although Medicare offers identical benefits to all enrollees, its reimbursements differ substantially in various regions of the country. These differences reflect variations in resource availability, utilization practices, and service costs. Table K-21 summarizes information on these patterns for recent years.

Table K-21. MEDICARE UTILIZATION AND REIMBURSEMENT BY GEOGRAPHIC REGION

	North- east	North Central	South	West
Hospital Insurance (HI):				
Hospital beds per 1,000 population (1971)	8.7	7.4	7.3	5.9
Hospital admissions per 1,000 enrollees (1972)	268	325	346	313
Average length of hospital stay (days) (1969)	15.1	13.6	11.9	10.6
HI reimbursement per enrollee (1972)	\$331	\$301	\$249	\$321
Supplementary Medical Insurance (SMI):				
Physicians per 100,000 population (1971)	161	111	104	144
SMI reimbursement per enrollee (1972)	\$126	\$90	\$105	\$144

Medicaid.—Medicaid is a State-Federal program that finances medical services to families with dependent children receiving public assistance and to most aged, blind, and disabled persons eligible for supplementary security income payments. States may also choose to finance medical services for the medically needy, i.e., those persons with income slightly above the public assistance level who are unable to pay their medical expenses.

In 1976, health care services under Medicaid will be provided to approximately 26 million recipients. The Federal outlays will be \$7.2 billion, an 18.2% annual rise since 1971, even including proposed legislative savings in 1976 of \$610 million. State and local governments will spend an additional \$6.9 billion in 1976. The following table depicts Federal obligations and other selected program indicators based on State estimates.

Table K-22. **MEDICAID COVERAGE, BENEFITS, AND ADMINISTRATION**

	1974 actual	1975 estimate	1976 estimate
Total payments to medical vendors (millions).....	\$9,756	\$12,167	\$13,525
Federal share.....	\$5,563	\$6,493	\$6,829
Total administrative costs (millions).....	\$473	\$481	\$574
Federal share.....	\$270	\$275	\$327
Recipients of service (millions).....	24.3	24.7	25.6
Aged 65 or over.....	4.2	4.3	4.3
Blind and disabled.....	2.2	2.3	2.3
Children under 21.....	11.1	11.3	11.7
Adults in AFDC families.....	6.8	6.9	7.2

Approximately 65% of Federal Medicaid benefits payments will finance inpatient and long-term care in 1976. The remaining dollars will finance outpatient services, as shown in table K-23.

Table K-23. **ESTIMATED MEDICAID BENEFITS, 1976**

	Outlays (millions)	Percent
Hospitals.....	\$1,767	26
Mental hospitals.....	\$281	4
Long-term care facilities.....	\$2,403	35
Physicians services.....	\$701	10
Outpatient drugs.....	\$453	7
Dental care.....	\$190	3
Outpatient hospital and clinic service.....	\$441	6
Other.....	\$593	9
Total.....	\$6,829	100

The States determine most of the eligibility levels and medical benefits under the Medicaid program. As a result, there are variations in these program elements among States. Although the Medicaid matching formula provides higher Federal matching to low-income States, most of the program funds go to high-income States. More affluent States have proved better able and willing to expand the population and services covered. Six of the highest income States received over 50% of all Federal Medicaid funds in 1974, and two States—New York and California—received over 30% of these funds. Proposed legislation will attempt to address these discrepancies by reducing the minimum Federal match from 50% to 40% for the 13 highest income States.

Tax expenditures.—After Medicare and Medicaid, the greatest Federal support for health expenditures results from special provisions of the tax code. The exclusion of employer health insurance contributions from the taxable income of the employee will result in \$3.7 billion of tax subsidies for health insurance premiums in 1976. An additional \$2.6 billion in revenue loss will result from itemized deductions for certain health expenditures and insurance premiums on individual income tax.

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, retirees, and their dependents, veterans, and American Indians and Alaska Natives. In addition, the Federal Government provides assistance to States and local governments to finance comprehensive health services. This assistance takes the following forms:

- *Federal formula and project grants and contracts.*—Federal assistance is provided for the support of State-administered maternal and child health centers, neighborhood and family health centers, migrant health centers and family planning services. The Federal Government also provides operating assistance for existing community mental health centers, and centers for alcohol and drug abuse. Outlays for these health and social services grants and contracts will amount to \$886 million in 1976.
- *Indian health services.*—Outlays for Indian health services and facilities will rise to \$322 million in 1976, a \$29 million increase over 1975. These funds provide comprehensive health care with an emphasis on ambulatory care, as well as construction of sanitation facilities, hospitals, and clinics.

Table K-24. SELECTED INDICATORS OF INDIAN HEALTH STATUS
(Annual rates)

[Selected indicators of health status of American Indians and the general U.S. population]

	Indians and Alaska Natives				General population	
	1950	1960	1970	1973	1970	1973
Birth rate (per 1,000 population).....	36.2	42.7	32.6	30.9	18.4	15.0
Death rate (per 1,000 population).....	12.9	9.1	7.7	7.7	9.5	9.4
Average life expectancy at birth (years).....	60.0	61.7	64.0	65.1	70.9	71.3
Infant mortality rate (deaths under 1 year of age per 1,000 live births) ¹	85.8	50.3	23.8	19.5	20.0	17.6
Leading causes of death (per 100,000 population):						
Heart.....	148.8	135.5	142.0	131.0	362.0	359.5
Accidents.....	125.9	155.2	157.1	174.3	56.4	54.8
Influenza and pneumonia.....	108.0	95.0	38.6	41.1	30.9	29.1
Certain diseases of early infancy.....	77.3	66.7	29.6	19.6	21.3	14.8
Cancer.....	60.3	65.2	62.6	67.0	162.8	168.4
Cirrhosis of liver.....	7.7	20.7	45.5	45.5	15.5	16.0

¹ Excludes Alaska Natives.

Over the last 20 years, the health status of Indians and Alaska Natives has greatly improved. Since 1950, for example, there has been an increase in Indian average life expectancy, and a decline in infant mortality and deaths due to diseases such as influenza and pneumonia. In recent years, the overall health status of Indians and Alaska Natives has come close to that of the general U.S. population, as indicated in table K-24. Differences in health status remain, however, especially in connection with causes of death associated with reservation social conditions. Efforts to further improve the health status of American Indians will continue in the coming years. Based on an eligible federally recognized Indian population of 500,000, 1976 spending on Indian health care will result in over \$640 per Indian, or over \$2,500 per Indian family of four. This compares to the national average per capita expenditures for health from all sources of about \$600 in 1976.

- *Medical care to active and retired military personnel and their dependents.*—In 1976, DOD will operate 183 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 \$3.5 billion in 1976, or \$244 million more than in 1975.
- *Medical care to veterans.*—VA will operate 171 hospitals, 107 long-term care facilities, and 229 outpatient clinics. It will also provide contract care for certain veterans at an estimated cost of \$91 million in 1976, an increase of \$6 million over the 1975 level. Outlays for outpatient care in 1976 are expected to rise to \$672 million. Total VA outlays for direct and contract care will amount to \$3.5 billion in 1976.

- *Health insurance for Federal employees.*—Health benefits are provided to 2.9 million Federal civilian employees and annuitants and their dependents under the Federal employees health benefits programs managed by the Civil Service Commission. In 1976, Federal payments to finance these programs will increase by \$187 million to \$1,009 million.

Distribution of health care outlays by age groups and economic status.—Table K-25 distributes Federal outlays 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 are excluded from the table, since they are not normally distributed by population group or income.

Table K-25. ESTIMATED FEDERAL HEALTH CARE OUTLAYS BY POPULATION AND INCOME GROUPS (in millions of dollars)

	Outlays		
	1974 actual	1975 estimate	1976 estimate
Total, all recipients	23, 918	28, 783	31, 348
Aged (65 and over)	13, 542	15, 984	17, 269
Other adults (19-64)	8, 198	10, 250	11, 351
Children and youth (0-18) ..	2, 178	2, 550	2, 728
Indigent persons, total	7, 739	9, 216	10, 086
Aged (65 and over)	2, 730	3, 258	3, 557
Other adults (19-64)	3, 726	4, 464	4, 909
Children and youth (0-18) ..	1, 283	1, 494	1, 620
Nonindigent persons, total	16, 180	19, 566	21, 262
Aged (65 and over)	10, 641	12, 620	13, 557
Other adults (19-64)	4, 499	5, 759	6, 447
Children and youth (0-18) ..	1, 040	1, 187	1, 259

PREVENTION AND CONTROL OF HEALTH PROBLEMS

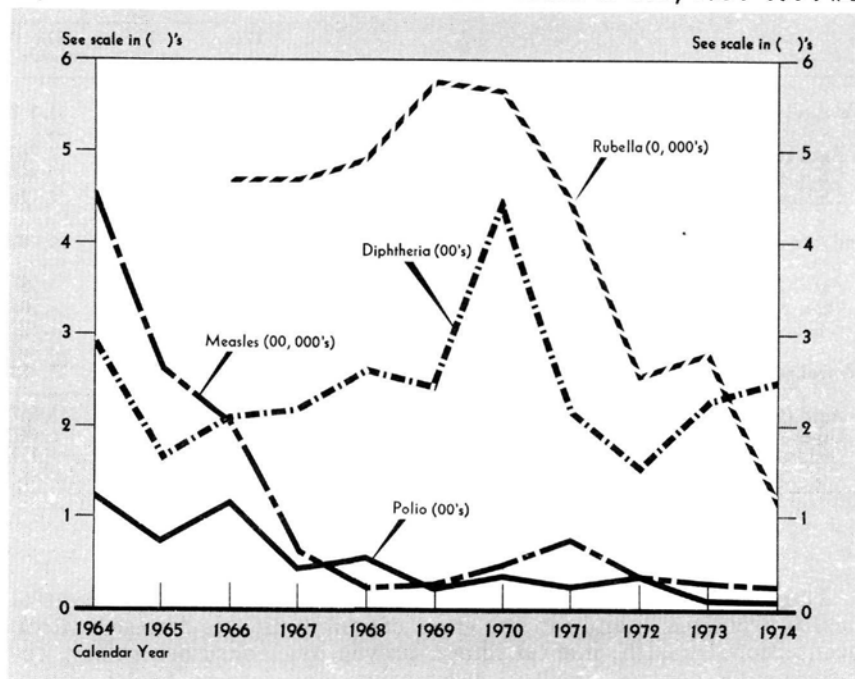
The Federal Government supports programs to prevent and control health problems, mainly in the areas of communicable disease control, occupational health, mental illness prevention, consumer safety, environmental control, accident prevention, and foreign health assistance. Table K-26 shows Federal outlays for the prevention and control of health problems, which in 1976 are estimated at \$989 million, compared to \$888 million in 1974.

Table K-26. FEDERAL OUTLAYS FOR THE PREVENTION AND CONTROL OF HEALTH PROBLEMS (in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Disease prevention and control.....	420	458	405
Environmental control.....	90	129	137
Consumer safety.....	378	432	446
Total, prevention and control.....	888	1,019	989

Disease prevention and control.—Disease control includes those activities directed toward the prevention of diseases and injuries through research, regulatory activities, provision of preventive services, and public education.

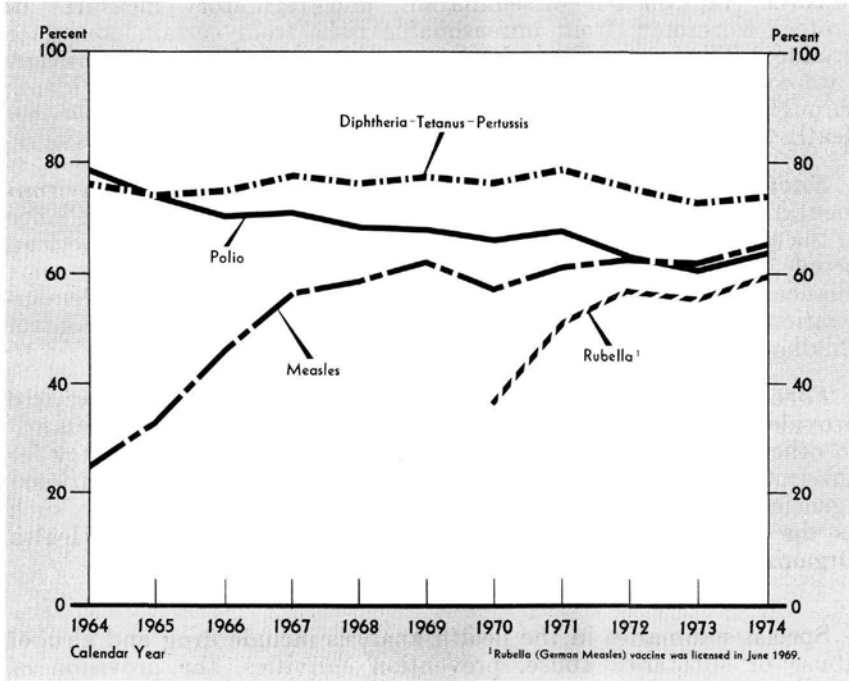
Reported Cases of Selected Communicable Diseases in U.S., 1964–1974 K-27



These activities seek to avoid medical problems through proper preventive measures. Incidence of the most common communicable diseases, for instance, has dropped significantly in the last decade as increasing numbers of the population have been immunized against polio, measles, diphtheria, and other such diseases (see Figures K-27 and K-28). The Federal Government began its efforts in the early 1960's to raise immunization rates through assistance to States and localities. The resulting improvements in immunization rates are credited with preventing many illnesses and deaths.

Immunization Rates of Children 1-4 Years Old, 1964-1974

K-28



The Center for Disease Control in HEW will continue in 1976 to focus its efforts on the control of communicable diseases through assistance to States and localities in the form of grants, technical assistance, and public education.

The Federal Government will undertake expanded occupational health programs in 1976 to detect and eliminate hazards in the workplace. Increased emphasis will be placed on the development of occupational safety and health standards to be applied by the Department of Labor and the Department of the Interior.

In the area of mental illness, the Alcohol, Drug Abuse, and Mental Health Administration provides grants to States and localities, and supports clearinghouses and media campaigns. These activities help develop State and local capacity for initiating prevention programs, demonstrate new and more effective prevention methods, and provide the public—especially high risk populations—with accurate information about substance abuse and mental health problems.

Consumer safety.—In 1976, outlays of \$446 million will be spent on efforts to protect the public from unsafe foods, drugs, and other products, and to reduce injuries from automobile accidents.

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 in helping assure the safety and effectiveness of drugs and medical devices. FDA and the Environmental Protection Agency (EPA) will continue support of the National Center for Toxicological Research, which performs long-term studies of the effects of low concentrations of chemicals in the environment and foods.

In 1976, the Consumer Product Safety Commission will continue research, information dissemination, and regulatory measures to protect consumers from unreasonable risks from certain consumer products. The Department of Transportation will also work to prevent automobile accidents and to reduce injuries from such accidents through its emergency medical services program. In 1973, about 56,000 deaths resulted from motor vehicle accidents.

Environmental control.—The major Federal effort in environmental control is administered by EPA, which maintains surveillance of the effects of environmental pollution on the health of the American people, promulgates environmental standards, and monitors compliance. In other environmental activities, HEW will continue demonstration programs in selected urban communities in 1976 to control childhood lead-based paint poisoning and rodents.

Foreign health assistance.—In 1976, the United States will provide \$135 million for disease prevention and control assistance to other nations. These funds will support efforts by the Agency for International Development, 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 SUMMARIES

Special summaries in the health analysis include drug and alcohol abuse or substance abuse, prevention activities, the provision of family planning services, and venereal disease prevention activities.

Substance abuse.—In 1976, the estimated outlays for substance abuse prevention activities will be \$810 million.

Most of the federally supported substance abuse treatment, rehabilitation, prevention, and research activities are funded through the Social and Rehabilitation Service and the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA) within HEW. Defense and VA will continue efforts to remedy drug and alcohol problems among military personnel and veterans. Within the Department of Justice, the Bureau of Prisons administers drug and alcohol-related treatment and rehabilitation services for Federal prisoners, the Drug Enforcement Administration conducts education and research programs, and the Law Enforcement Assistance Administration supports a broad range of community efforts to prevent the abuse of alcohol and drugs. The Special Action Office for Drug Abuse Prevention terminates June 30, 1975, as mandated by Congress; many of its program responsibilities will be assumed by the National Institute on Drug Abuse within ADAMHA.

Total drug abuse treatment capacity has stabilized, although shifts among geographic areas continue. Treatment capacity now exists for virtually every heroin addict who seeks treatment. Outlays for all drug abuse prevention activities rose from \$403 million in 1974 to \$510 million in 1975. This effort will continue in 1976 with outlays of \$466 million. These outlays are in addition to law enforcement activities which amount to \$305 million in 1976 and are discussed in Special Analysis N. In sum, total 1976 outlays for all Federal drug abuse activities will be \$771 million compared to \$603 million in 1974.

Table K-29. ESTIMATED OUTLAYS FOR SUBSTANCE ABUSE PREVENTION PROGRAMS (in millions of dollars)

	Alcohol abuse			Drug abuse			Total substance abuse		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Treatment and rehabilitation (total)	215.4	284.1	276.0	267.5	349.8	325.1	482.9	633.9	601.1
Department of Health, Education, and Welfare:									
Alcohol, Drug Abuse, and Mental Health Administration.....	57.2	109.1	92.6	92.8	158.2	148.9	150.0	267.3	241.5
Social and Rehabilitation Service.....	77.0	88.0	81.0	54.0	59.0	63.0	131.0	147.0	144.0
Office for Human Development.....	30.0	32.0	33.0	8.8	9.3	7.2	38.8	51.3	40.2
Department of Defense.....	8.6	9.2	10.3	43.0	37.3	41.0	51.6	46.5	51.3
Veterans Administration.....	37.7	41.5	54.8	28.8	30.0	31.0	66.5	71.5	85.8
Department of Justice.....	.3	.2	-----	24.4	30.8	30.0	24.7	31.0	30.0
Other*.....	4.6	4.1	4.3	15.7	25.2	4.0	20.3	29.3	8.3
Prevention and education (total)	30.3	38.3	33.6	59.3	62.2	55.6	89.6	100.5	89.2
Department of Health, Education, and Welfare:									
Alcohol, Drug Abuse, and Mental Health Administration.....	23.3	30.0	24.7	30.4	36.0	36.9	53.7	66.0	61.6
Office of Education.....	-----	-----	-----	6.1	5.9	1.9	6.1	5.9	1.9
Department of Defense.....	2.3	3.7	4.2	10.7	10.6	8.0	13.0	14.3	12.2
Veterans Administration.....	.2	.2	.2	.4	.4	.4	.6	.6	.6
Department of Justice.....	-----	-----	-----	3.8	4.0	3.9	3.8	4.0	3.9
Department of Transportation.....	4.0	3.8	3.8	.1	.1	.1	4.1	3.9	3.9
Other*.....	.5	.6	.7	7.8	5.2	4.4	8.3	5.8	5.1
Research, planning, and coordination (total)	43.7	40.4	35.1	76.2	98.4	84.8	119.9	138.8	119.9
Department of Health, Education, and Welfare:									
Alcohol, Drug Abuse, and Mental Health Administration.....	11.0	18.5	15.6	38.1	42.2	45.1	49.1	60.7	60.7
Other HEW.....	.5	.6	.6	5.1	4.0	3.3	5.6	4.6	3.9
Department of Defense.....	2.4	2.1	2.3	14.9	19.6	18.9	17.3	21.7	21.2
Veterans Administration.....	2.5	2.8	3.1	1.1	1.9	1.8	3.6	4.7	4.9
Department of Justice.....	.2	.1	-----	3.0	4.2	4.9	3.2	4.3	4.9
Department of Transportation.....	27.0	16.2	13.4	0.4	.5	.6	27.4	16.7	14.0
Other*.....	.1	.1	.1	13.6	26.0	10.2	13.7	26.1	10.3
Total	289.4	362.8	344.7	403.0	510.4	465.5	692.4	873.2	810.2

*Includes Special Action Office for Drug Abuse Prevention and substance abuse prevention activities within, HUD, Labor, State, Agriculture, and other agencies.

Outlays for alcoholism and alcohol abuse prevention activities will rise from \$289 million in 1974 to \$345 million in 1976. The National Institute on Alcohol Abuse and Alcoholism in ADAMHA will continue to support its ongoing alcoholism treatment and prevention demonstration projects. The Social and Rehabilitation Service in HEW will spend at least \$81 million for treatment and rehabilitation of persons with alcohol-related problems.

Other Federal programs involved in the effort to reduce alcoholism and its effects are administered by VA and Defense, which in 1976 will spend \$75 million to address alcohol-related problems among veterans and military personnel. In 1976, the Department of Transportation will spend over \$17 million for research and developmental activities designed to reduce alcohol-related deaths and accidents occurring on the Nation's roadways.

In addition to the estimated funds for substance abuse prevention shown in table K-29, the Federal Government will spend an estimated \$2.7 billion in 1976 through the Department of Labor's comprehensive manpower assistance program. Communities can use these funds, according to their determination of need, for broad manpower service programs that include training and employment of alcohol and drug abusers.

Family planning.—As table K-30 indicates, obligations in 1976 for Federal family planning services are estimated at \$240 million in the Health Services Administration and the Social and Rehabilitation Service in HEW. Efforts will continue to focus on providing services to low-income persons who desire, but could not otherwise afford, these services.

Family planning research activities are supported by the National Institutes of Health and the Agency for International Development. Obligations for this research will increase to \$55 million in 1976.

Table K-30. FAMILY PLANNING SERVICES AND RESEARCH

(In millions of dollars)

	Obligations		
	1974 actual	1975 estimate	1976 estimate
Research:			
Department of Health, Education, and Welfare.....	¹ 51	46	50
Department of State: Agency for International Development.....	5	5	5
Research, total.....	56	51	55
Services:			
Department of Health, Education, and Welfare:			
Health Services Administration.....	² 160	139	136
Social and Rehabilitation Service.....	87	101	104
Services, total.....	247	240	240
Family planning programs total.....	303	291	295

¹ Includes \$7 million under the 1973 continuing resolution, released for obligation in 1974.

² Includes \$30 million under the 1973 continuing resolution, released for obligation in 1974.

Venereal disease.—The incidence of gonorrhea has been increasing steadily in the United States since the early 1960's, and the rate of syphilis has been increasing since 1970. In 1972, the Federal Government increased its effort to assist in controlling both of these diseases through substantially increased support to States and localities. During 1974, the incidence of infectious syphilis leveled off and the rate of increase of gonorrhea dropped to 7%, compared with annual increases of 12% and 14% in the previous 2 years. In 1976, Federal outlays for venereal disease control are estimated to be \$31 million, excluding Federal assistance for venereal disease treatment through the Medicaid program.

Table K-31. VENEREAL DISEASE TRENDS

	Primary and secondary syphilis		Gonorrhea	
	Cases reported	Rates per 100,000	Cases reported	Rates per 100,000
1941.....	68,231	51.7	193,468	146.7
1950.....	32,148	21.6	303,992	204.0
1957.....	6,251	3.8	216,476	129.8
1965.....	23,250	12.3	310,155	163.8
1969.....	18,679	9.3	494,227	245.9
1970.....	20,186	10.0	573,200	285.2
1971.....	23,336	11.5	624,371	307.5
1972.....	24,000	11.7	718,401	349.7
1973.....	25,080	12.1	809,681	392.2
1974.....	24,728	11.9	874,161	420.1

EXPENDITURES FOR HEALTH ACTIVITIES BY AGENCY

The following tables distribute the health-related outlays of Federal agencies by the categories used in this analysis. Health activities of HEW, the Consumer Product Safety Commission, parts of the Civil Service Commission, the Departments of Housing and Urban Development, Interior, Labor, and Agriculture are included under the health function (550) in Part 5 of the Budget document. Health-related outlays of all other agencies are, because of their major purpose, assigned to other functions. The following 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 K-32. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1974

(In millions of dollars)

	Functional 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
Department of Health, Education, and Welfare (total).....	550	(1,583)	(767)	(377)	(244)	(218)	(17,741)	(454)	(21,384)
Health Services Administration.....	551	5	33	38	—11	176	525	135	901
Health Resources Administration.....	550	2	452	277	182	—	—	17	929
Alcohol, Drug Abuse, and Mental Health Administration.....	550	128	106	15	33	38	256	56	632
Center for Disease Control.....	553	36	1	—	—	—	—	96	134
National Institutes of Health.....	550	1,386	145	28	26	—	—	—	1,584
Food and Drug Administration.....	553	20	—	1	—	—	—	144	165
Assistant Secretary for Health.....	550	4	—	1	12	4	11	8	38
Social Security Administration.....	551	—	—	—	—	—	11,348	—	11,348
Social and Rehabilitation Service.....	551/600	3	—	—	2	—	5,586	—	5,591
Other HEW.....	500	1	30	17	—	—	15	2	62
Department of Defense.....	051	107	191	86	1	2,062	474	13	2,934
Veterans Administration.....	703	78	167	107	18	2,488	148	—	3,006
Department of Housing and Urban Development.....	451	—	—	156	54	—	—	—	210
Department of Agriculture.....	350	45	—	1	—	—	—	244	290
Environmental Protection Agency.....	304	17	—	—	—	—	—	3	20
National Aeronautics and Space Administration.....	250	64	—	—	—	—	—	—	64
Energy Research and Development Administration.....	251	115	—	6	—	—	—	—	121
Department of Labor.....	553	1	4	—	4	—	—	61	69
Department of State.....	150	—	7	—	12	—	1	25	45
National Science Foundation.....	250	44	2	—	—	—	—	—	45
Other agencies.....	—	31	8	28	59	29	11	88	255
Agency contributions to employee health funds.....	551	—	—	—	—	—	745	—	745
Total outlays for health, 1974.....	—	2,085	1,146	761	392	4,797	19,120	888	29,189

Table K-33. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1975

(In millions of dollars)

	Functional 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
Department of Health, Education, and Welfare (total)	550	(1,845)	(860)	(476)	(363)	(260)	(21,473)	(504)	(25,781)
Health Services Administration	551	5	38	62	31	211	617	156	1,120
Health Resources Administration	550	2	490	325	221	-----	-----	18	1,056
Alcohol, Drug Abuse, and Mental Health Administration	556	136	132	25	65	45	407	56	866
Center for Disease Control	553	41	2	-----	-----	-----	-----	96	139
National Institutes of Health	550	1,633	165	43	27	-----	-----	-----	1,868
Food and Drug Administration	553	22	-----	2	-----	-----	-----	171	196
Assistant Secretary for Health	550	3	-----	1	13	3	11	7	38
Social Security Administration	551	-----	-----	-----	-----	-----	13,903	-----	13,903
Social and Rehabilitation Service	551/600	3	-----	-----	4	1	6,517	-----	6,525
Other HEW	500	-----	33	9	2	-----	18	-----	61
Department of Defense	051	103	219	157	2	2,187	592	11	3,271
Veterans Administration	703	91	223	142	23	2,911	223	-----	3,613
Department of Housing and Urban Development	450	-----	-----	156	33	-----	-----	-----	189
Department of Agriculture	350	47	-----	8	-----	-----	-----	262	317
Environmental Protection Agency	304	29	-----	-----	-----	-----	-----	5	34
National Aeronautics and Space Administration	250	65	-----	-----	-----	-----	-----	-----	65
Energy Research and Development Administration	251	143	1	6	-----	-----	-----	-----	150
Department of Labor	553	2	5	-----	4	-----	-----	91	102
Department of State	150	-----	7	-----	12	-----	1	24	45
National Science Foundation	250	46	2	-----	-----	-----	-----	-----	48
Other agencies	-----	53	7	21	90	32	31	122	356
Agency contributions to employee health funds	551	-----	-----	-----	-----	-----	1,073	-----	1,073
Total outlays for health, 1975	-----	2,424	1,324	966	527	5,390	23,393	1,019	35,044

Table K-34. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1976

(In millions of dollars)

	Functional 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
Department of Health, Education, and Welfare (total)	550	(1,831)	(661)	(451)	(390)	(235)	(23,367)	(469)	(27,404)
Health Services Administration	551	5	38	72	86	226	553	112	1,091
Health Resources Administration	550	2	370	304	159	-----	-----	6	841
Alcohol, Drug Abuse, and Mental Health Administration	550	128	93	25	65	5	379	50	745
Center for Disease Control	553	44	2	-----	-----	-----	-----	104	150
National Institutes of Health	550	1,621	143	42	27	-----	-----	-----	1,833
Food and Drug Administration	553	25	-----	3	-----	-----	-----	187	215
Assistant Secretary for Health	550	4	-----	1	37	4	16	8	70
Social Security Administration	551	-----	-----	-----	-----	-----	14,990	-----	14,990
Social and Rehabilitation Service	551/600	3	-----	-----	7	1	7,412	-----	7,423
Other HEW	500	1	15	4	9	1	17	2	46
Department of Defense	051	118	222	279	2	2,314	566	14	3,515
Veterans Administration	703	95	230	190	21	3,245	238	-----	4,019
Department of Housing and Urban Development	450	-----	-----	146	26	-----	-----	-----	172
Department of Agriculture	350	51	-----	1	-----	-----	-----	272	324
Environmental Protection Agency	304	43	-----	-----	-----	-----	-----	4	47
National Aeronautics and Space Administration	250	81	-----	-----	-----	-----	-----	-----	81
Energy Research and Development Administration	251	168	-----	10	-----	-----	-----	-----	178
Department of Labor	553	1	5	-----	4	-----	-----	107	117
Department of State	150	-----	8	-----	13	-----	1	27	49
National Science Foundation	250	51	2	-----	-----	-----	-----	-----	53
Other agencies	-----	73	18	31	140	34	-----	96	392
Agency contributions to employee health funds	551	-----	-----	-----	-----	-----	1,348	-----	1,348
Total outlays for health, 1976	-----	2,512	1,145	1,108	596	5,828	25,520	989	37,699

SPECIAL ANALYSIS L

FEDERAL INCOME SECURITY PROGRAMS

Federal income security programs provide essential income protection for millions of Americans. A major, although not exclusive, objective of these programs is to increase the income of people at the lower end of the income scale. The programs included in this analysis are divided into two broad categories:

- Cash benefits, such as social security and other income replacement programs.
- In-kind benefits, such as health care and food stamps, which effectively increase real income by providing necessary goods.

In addition, several major tax expenditures contribute to income security.

OVERVIEW

Total Federal income security benefits are estimated to exceed \$152 billion in 1976. This represents an increase of over \$41 billion or about 38%, from the 1974 total of \$111 billion.

There are many factors accounting for this change:

- By law, \$96 billion of the 1976 outlays are in programs tied to the cost of living.
- Primarily because of increased costs of medical care, health care benefits will increase.
- The new supplemental security income program has increased both average benefits and the number of eligible recipients compared to the State-operated adult programs for the aged, blind, and disabled, which it replaced.
- Outlays of \$17.4 billion for unemployment insurance reflect both an increase in benefit levels and also in the number of eligible workers.

For those programs presently tied by law to changes in the Consumer Price Index, legislation will be proposed to limit benefit increases to 5% during 1976.

Table L-1. FEDERAL INCOME SECURITY BENEFITS

	1974 actual	1975 estimate	1976 estimate
Federal outlays for cash benefits (millions):			
Social security (OADSI).....	54,007	62,294	68,753
Federal employee benefits.....	11,322	14,122	15,534
Veterans benefits.....	7,167	8,000	8,061
Public assistance.....	6,832	8,410	9,214
Unemployment insurance.....	5,208	13,581	17,047
Railroad retirement.....	2,621	2,972	3,211
Other programs.....	1,097	1,073	1,069
Proposed legislation included above.....	-----	(-60)	(-4,632)
Subtotal outlays, cash benefits.....	88,255	110,511	122,889
Federal outlays for in-kind benefits (millions):			
Food and nutrition.....	4,466	5,534	5,207
Health care.....	16,669	20,171	22,079
Housing.....	1,776	2,190	2,653
Proposed legislation included above.....	-----	(-255)	(-2,025)
Subtotal outlays, in-kind benefits.....	22,912	27,895	29,940
Total benefits.....	111,167	138,346	152,829

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 of the primary wage earner.

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

The analysis below is organized by target group in that programs are discussed as they provide support to people sharing 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. Needs-tested benefits are also indicated by target group.

Table L-2. INCOME SECURITY BENEFITS BY TARGET GROUPS

	1974 actual	1975 estimate	1976 estimate	Percent of total 1976	Change 1974-76	Percent change 1974-76
Annuitants.....	31,813	37,051	40,391	26.7	9,118	28.7
Other aged.....	33,884	39,473	43,211	28.2	9,327	27.5
Disabled.....	16,750	20,925	23,140	15.1	6,390	38.2
Mothers and children.....	8,559	9,608	10,471	6.8	1,912	22.3
Temporarily unemployed.....	5,530	13,903	17,423	11.4	11,893	15.1
Other transitional low income.....	8,082	9,569	10,412	6.8	2,330	28.8
Other.....	6,549	7,816	7,781	5.0	1,232	18.8
Total.....	111,167	138,346	152,829	100.0	41,662	37.5

THE AGED

Income security benefits for the elderly consist of wage replacement for workers retired from full-time gainful employment, benefits to women who depended on their husband's incomes as the main source of support, and assistance to those who were needy before they became aged.

In-kind program benefits received by the aged include medical care through medicare and medicaid, as well as food and shelter on an income-tested basis.

Several provisions of the Federal personal income tax are designed to benefit the aged. The largest benefits result from the extra personal exemptions available to persons 65 or over and from the exclusion of all social security benefits (not just the portion representing a return of contributions) from taxable income. These two tax expenditures are expected to result in a loss of receipts of \$1.2 billion and \$2.9 billion, respectively, in 1976. In addition, the retirement income credit and the exclusion from income of railroad retirement benefits are tax expenditures estimated at \$0.1 billion and \$0.2 billion in 1976. The combined loss of tax receipts from the retired and elderly due to these four provisions is an estimated \$5.1 billion in 1976 (larger than their simple sum).

Other tax provisions are directed to the future security of aged persons by encouraging private provision for retirement years. The major benefits flow from the exclusion of employer contributions to and earnings of qualified pension funds from the employee's taxable income. After allowing for deferred taxes collected from present retirees, the net loss in receipts from this tax expenditure is estimated to be \$5.7 billion in 1976. Pension reform legislation enacted in 1974 expanded the similar tax provisions for noncovered or self-employed persons, and will result in an estimated tax expenditure of \$0.7 billion for these persons in 1976.

Table L-3. INCOME SECURITY BENEFITS FOR THE AGED

	Benefit (millions)			Percent increase 1974-76
	1974 actual	1975 estimate	1976 estimate	
Covered employment:				
Social Security (OASI) members.....	42,762	48,984	53,777	25.8
Railroad employees.....	2,337	2,651	3,019	29.2
Federal civilian employees.....	4,251	5,478	5,996	41.0
Uniformed services members.....	758	919	978	29.1
Coal miners' widows.....	194	213	238	22.8
Public assistance.....	1,438	1,887	2,023	40.7
Income-tested veterans pension.....	1,421	1,496	1,533	7.9
Subtotal cash benefit outlays.....	53,161	61,628	67,565	27.1
Medicare.....	9,899	11,781	12,424	25.5
Medicaid.....	2,248	2,648	3,060	36.1
Other in-kind.....	389	490	554	42.3
Subtotal in-kind benefit outlays.....	12,535	14,919	16,038	27.9
Total.....	65,696	76,547	83,602	27.3

Annuitants.—In all four federally run contributory retirement systems, the benefit calculations are based upon past earnings and are subsequently increased to reflect cost-of-living increases. All four systems have also overcompensated for inflation. Between 1970 and 1976, the CPI will have increased 51% while OASI benefits have increased 77% and civil service and foreign service benefits have increased 55%.

Under old-age and survivors insurance (OASI), 12.4 million retired workers received benefits in 1974. Some recipients in 1974 were primary beneficiaries under the railroad retirement system, but about 39% of these retirees were also beneficiaries under the social security system. A total of 691,000 persons were beneficiaries of the civil service and of the foreign service retirement system. Approximately 43% of the 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 11.9 million persons in 1974 and 13.1 million in 1976.

Table L-4. ANNUITIES TO PRIMARY BENEFICIARIES IN CONTRIBUTORY RETIREMENT SYSTEMS: ANNUITY BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENTS BY SYSTEM

	Benefit outlays (millions)			Number of primary beneficiaries (thousands)			Average monthly payments		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Old-age and survivors insurance.....	26,556	30,488	33,194	12,394	12,859	13,616	179	203	227
Railroad Retirement Board.....	1,394	1,572	1,743	386	399	401	296	319	350
Civil Service Commission.....	3,831	4,946	5,400	688	762	777	464	541	579
Foreign Service retirement.....	32	46	54	3	3	4	971	1,208	1,278
Total.....	31,813	37,051	40,391	-----	-----	-----	-----	-----	-----

Other aged.—This category includes income support to the aged in which the benefits are based upon criteria other than past earnings. The criterion of the program may be a work history of some related person, and is not necessarily based on any measure of need. Underlying the purpose of these programs is the presumption that persons past a certain age (for example, 65) are generally not self-supporting through their own current earnings.

Aged widows.—Aged widows account for \$15.4 billion in benefit outlays in 1976—or 36% of all benefits to the aged outside of annuities to primary beneficiaries. The 32.8% increase in benefit outlays to aged widows between 1974 and 1976 is due largely to the increase in widows' benefits to 100% of the deceased husband's primary insurance amount and increased benefit levels under the social security and the railroad retirement systems. Some 4.8 million aged widows will receive benefits from social security in 1976 with 1.2 million widows covered in other programs. There is considerable overlap of these program beneficiaries with those covered by social security. Tax expenditures again

augment the value of these benefits. The exclusion from taxable income of social security benefits for dependents and survivors is estimated to result in a \$0.5 billion revenue loss in 1976.

Aged wives of retirees.—The entitlement of wives under OASI and railroad retirement is independent of any contribution history of their own, and requires only that they exceed a particular age. 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 1976, 536,000 wives will have dual entitlement under social security in which the wife's benefit exceeds the benefit based upon her own earnings.

Table L-5. BENEFITS FOR THE AGED EXCEPT ANNUITIES TO PRIMARY BENEFICIARIES: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Benefits to aged widows:									
Social security (OAS DI) members.....	9,764	11,309	13,037	4,402	4,639	4,826	163	183	202
Railroad employees.....	575	668	835	280	290	290	165	183	237
Federal civilian employees.....	388	486	542	182	191	198	178	212	228
Uniformed services members.....	709	778	792	636	635	620	93	102	106
Coal miners.....	194	213	239	83	91	98	195	194	205
Benefits to aged wives of living retirees:									
Social security (OAS DI) members.....	3,748	4,324	4,565	3,335	3,416	3,411	89	100	111
Railroad employees.....	345	388	416	2,100	2,130	2,175	137	144	150
Minimum benefit payments:									
Social security (OAS DI) members.....	1,836	1,923	1,942	1,981	1,878	1,815	74	82	90
Railroad employees.....	23	23	25	13	13	12	136	146	156
Dependents of aged retirees: Social security (OASDI) members.....	858	940	1,039	651	653	680	110	120	127
Aged retirees uniformed services.....	479	591	650	82	88	92	488	563	586
Aged veterans.....	991	1,047	1,070	1,122	1,105	1,064	74	79	84
Medicare.....	9,899	11,758	12,424	15,714	16,246	16,768	52	60	62
Public assistance to the aged:									
Old-age assistance.....	1,588	27	13	1,877	62	38	26	36	29
Supplemental security income.....	² 850	1,860	² 2,010	² 1,760	² 2,055	² 2,345	² 80	² 75	² 74
Medicaid.....	2,248	2,648	3,060	4,200	4,263	4,327	45	52	59
In-kind benefits to needy aged:									
Food.....	145	182	176	843	991	1,015	14	15	14
Housing.....	244	308	378	625	694	786	33	37	40
Total.....	33,883	39,473	43,211	-----	-----	-----	-----	-----	-----

¹ Benefits for first half of year.

² Benefits for second half of year.

³ Federal payment only.

Payments based on the minimum.—These are statutory minimum amounts paid to retired workers, to the dependents of such retired workers, and to noninsured beneficiaries age 72 and over.

Aged retirees of the uniformed services.—The retirement systems for the uniformed and military services are noncontributory, with benefits based on time in service and the rank achieved at the time of retirement, rather than the overall earnings history of the individual. Because military service is credited for social security coverage, there is substantial overlap between the military retirement systems and OASI.

THE DISABLED

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).

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 are also eligible for medicare benefits. Federal civilian employees receive a disability benefit based on total disability for their previous occupation—paying a minimum benefit of 40% of the average of their highest 3 years of earnings.

Benefits to the disabled in the uniformed services are scaled to the degree of physical impairment rather than previous levels of earnings. 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. Many received a one-time retroactive benefit in 1974.

Beginning in 1974, 1.3 million needy disabled received assistance under the new Federal Supplemental Security Income program enacted in 1972 to replace State administered programs of assistance to the blind and disabled. By 1976, that number will grow to almost 1.6 million needy disabled.

Approximately 4¼ million persons will receive disability benefits under social security in 1976. Another 291,000 individuals will receive benefits through Federal civilian employee programs. There is a substantial overlap between these two groups and those receiving disability benefits because of prior military service or employment in coal mines.

Table L-6. BENEFITS FOR THE DISABLED: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Civilian covered employment:									
Disability insurance...	6,159	7,636	8,776	3,561	3,897	4,256	222	250	277
Federal civilian employees.....	1,129	1,438	1,603	260	285	291	362	421	459
Railroad employees.....	221	241	208	115	113	110	160	178	158
Coal miners.....	655	623	618	321	359	351	170	145	147
Medicare for the disabled.	781	1,439	1,722	1,701	1,964	2,167	110	160	178
Uniformed services:									
Military service-connected disability....	3,989	4,608	4,630	3,117	3,127	3,125	107	123	123
Other: Income-tested...	463	489	500	735	724	697	52	56	60
Other: Non-income-tested.....	9	11	12	2	2	3	310	359	381
Public assistance to the disabled:									
Aid to the blind.....	¹ 32	(²)	(²)	78	(⁴)	(⁴)	34	8	10
Aid to the permanently and totally disabled...	¹ 451	13	6	1,218	36	25	31	30	20
Supplemental security income.....	³ 965	² 2,220	² 2,615	¹ 1,329	¹ 1,620	¹ 1,980	¹ 121	¹ 114	¹ 114
AFDC (disabled male head of family).....	396	440	467	1,105	1,122	1,147	30	33	34
Medicaid.....	1,436	1,690	1,909	2,244	2,278	2,312	53	62	69
In-kind benefits to needy disabled: Food.....	64	78	75	371	341	345	14	19	18
Total.....	16,750	20,925	23,140	-----	-----	-----	-----	-----	-----

¹ Benefits for first half of year.² Less than \$500 thousand.³ Benefits for second half of year.⁴ Less than 1,000.⁵ Federal benefit only.

It is estimated that in 1976 3.1 million adults and children will be supported by public assistance based on disability. Nearly all of these persons are eligible for medicaid benefits.

Disabled persons benefit from the exclusion from taxable income of social security disability insurance benefits, of workmen's compensation benefits, and of payments such as sick pay and private disability insurance benefits. These exclusions are estimated to reduce receipts in 1976 by \$0.3 billion, \$0.6 billion, and \$0.3 billion respectively. The exclusion from taxable income of veterans service-connected disability compensation is an additional tax expenditure of \$0.6 billion.

NEEDS-TESTED BENEFITS

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. Eligibility is determined either by the work history of a deceased husband or through a means test.

Table L-7. **BENEFITS FOR MOTHERS WITH DEPENDENT CHILDREN AND NO HUSBAND: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT**

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Benefits to widows of covered employees:									
Social security (OAS DI) members.....	5,087	5,674	6,200	3,548	3,542	3,570	250	279	306
Railroad employees....	29	32	39	12	12	12	188	208	270
Federal civilian employees.....	109	135	152	46	48	50	195	234	253
Uniformed service members.....	349	395	415	559	563	553	52	59	63
Coal miners.....	34	37	40	24	25	26	118	124	126
Public assistance (AF DC) mothers with preschool children:									
Cash payments.....	1,905	2,115	2,242	5,309	5,388	5,511	30	33	34
Medical services.....	1,047	1,218	1,383	10,155	10,358	10,772	9	10	11
Total.....	8,559	9,608	10,471	-----	-----	-----	-----	-----	-----

Transitional low income.—The intent of income security outlays for able-bodied persons is to tide them over periods in which they cannot support themselves, until other measures correct the causes of such inability to provide self-support.

The major system of unemployment insurance, constituting 90% of unemployment benefits paid in 1974, is State-administered. As a result, States vary in eligibility requirements, benefit levels, and duration of benefits.

Table L-8. BENEFITS FOR TRANSITIONAL LOW INCOME AND OTHER: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.	1974 actual	1975 est.	1976 est.
Temporary unemployment:									
Unemployment insurance system.....	5,139	13,497	16,971	6,222	13,760	13,930	69	82	102
Other unemployment benefits.....	392	406	453	385	361	357	85	94	106
Long-term unemployment:									
Unemployed fathers.....	153	170	178	405	411	416	31	34	36
Mothers with all children in school.....	1,554	1,600	1,696	4,025	4,075	4,167	32	33	34
Other income tested ¹	291	312	315	413	411	394	59	63	67
In-kind benefits, low income:									
Food ²	3,729	4,650	4,863	24,107	23,310	22,829	7	8	11
Housing ²	1,532	1,882	2,275	5,053	5,582	6,170	25	28	31
Medical.....	822	956	1,085	7,680	7,883	8,147	9	10	11
Subtotal, transitional low income.....	13,612	23,473	27,836	-----	-----	-----	-----	-----	-----
Uniformed services retirees under 65.....	4,529	5,548	6,125	884	944	995	427	490	509
Food for non-needy children.....	528	624	92	15,633	14,904	-----	-----	-----	-----
Other.....	1,493	1,645	1,570	-----	-----	-----	-----	-----	-----
Subtotal, other....	6,549	7,816	7,781	-----	-----	-----	-----	-----	-----
Total.....	20,162	31,289	35,617	-----	-----	-----	-----	-----	-----

¹ Includes all AFDC related assistance to refugees and Indians.² Include all benefits to AFDC and UF families.

Special unemployment benefit programs are provided for Federal employees and ex-servicemen, railroad employees, and unemployed workers in industries adversely affected by foreign trade. These programs are federally financed, but except for railroad retirement unemployment insurance, are State-administered.

The exclusion from taxable income of unemployment insurance benefits is a tax expenditure expected to grow from \$1.0 billion in 1974 to \$3.8 billion in 1976.

A second set of programs providing income security benefits to able-bodied men and women are means-tested cash and in-kind programs.

Additional benefits are provided to uniformed services retirees under the age of 65.

Needs-tested benefits.—Public assistance, veterans and survivors pension, medicaid, and food and housing programs provide benefits to individuals based on a test of need. In addition to that test, eligibility for cash assistance may be based on such considerations as prior military service, age, disability, or absence of a male breadwinner in a family.

Table L-9. NEEDS-TESTED BENEFITS BY TARGET GROUPS AND PROGRAM

	Benefits (millions)		
	1974 actual	1975 estimate	1976 estimate
Total, needs-tested benefits.....	20,759	24,797	27,236
Benefits to the aged:			
Public assistance.....	1,438	1,887	2,023
Veterans and survivors pension.....	1,421	1,497	1,534
Medicaid.....	2,248	2,648	3,060
Other.....	389	490	554
Subtotal, benefits to the aged.....	5,495	6,522	7,170
Benefits to the disabled:			
Public assistance.....	1,844	2,673	3,087
Veterans and survivors pension.....	463	489	500
Medicaid.....	1,436	1,690	1,909
Other.....	64	78	75
Subtotal, benefits to the disabled.....	3,807	4,930	5,571
Benefits to mothers:			
Public assistance.....	1,905	2,115	2,242
Medicaid.....	1,047	1,218	1,383
Other.....	202	211	217
Subtotal, benefits to mothers.....	3,153	3,544	3,843
Benefits to the unemployed and other low income:			
Public assistance.....	1,707	1,770	1,874
Medicaid.....	822	956	1,085
Food.....	3,729	4,650	4,863
Housing.....	1,532	1,882	2,275
Other.....	513	544	554
Subtotal, benefits to unemployed.....	8,303	9,802	10,651
Public assistance.....	6,963	8,524	9,302
Veterans and survivors pension.....	2,530	2,661	2,729
Medicaid.....	5,552	6,512	7,437
Food.....	3,938	4,910	5,115
Housing.....	1,776	2,190	2,653

Table L-10. FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM

Department, agency and program	Benefit outlays (in millions of dollars)		
	1974 actual	1975 estimate	1976 estimate
Department of Health, Education, and Welfare:			
Social security:			
Old-age and survivors insurance.....	47,849	54,658	59,777
Disability insurance.....	6,159	7,636	8,776
Hospital insurance.....	7,806	9,646	10,020
Supplementary medical insurance.....	2,874	3,551	4,126
Supplemental security income.....	1,815	4,080	4,625
Public assistance:			
Maintenance payments.....	5,017	4,330	4,589
Medicaid.....	5,552	6,512	7,437
Special benefits for disabled coal miners.....	965	939	960
Assistance to refugees.....	86	65	40
Public health service officers retirement.....	17	20	23
Medical care for retired commissioned officers.....	4	4	6
Proposed legislation included above.....	-----	(-315)	(-5,119)
Total Health, Education, and Welfare.....	<u>78,144</u>	<u>91,442</u>	<u>100,579</u>
Veterans Administration:			
Disability and dependency and indemnity compensation.....	3,985	4,627	4,596
Veterans and survivors pensions.....	2,530	2,661	2,729
Life insurance (net subsidy).....	518	527	536
Other veterans benefits.....	135	185	200
Total Veterans Administration.....	<u>7,167</u>	<u>8,000</u>	<u>8,061</u>
Department of Labor:			
Unemployment insurance (State programs).....	5,139	13,497	16,971
Railroad unemployment.....	50	50	50
Unemployment compensation for Federal employees and ex-servicemen.....	350	350	405
Trade adjustment activities.....	19	34	26
Employee compensation.....	272	327	396
Special benefits for disabled coal miners.....	2	20	20
Total Labor.....	<u>5,832</u>	<u>14,278</u>	<u>17,867</u>
Department of Defense—Military:			
Military retirement.....	5,128	6,281	6,889
Medical care for retirees.....	433	457	490
Proposed legislation included above.....	-----	-----	(-574)
Total Defense.....	<u>5,561</u>	<u>6,738</u>	<u>7,379</u>
Department of Agriculture:			
Food stamps.....	2,728	3,501	3,386
Child nutrition.....	1,506	1,765	1,773
Special milk.....	49	119	18
Removal of surplus commodities.....	183	149	31
Proposed legislation included above.....	-----	-----	(-293)
Total Agriculture.....	<u>4,446</u>	<u>5,534</u>	<u>5,207</u>

Table L-10. **FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM—Continued**

Department, agency and program	Benefit outlays (in millions of dollars)		
	1974 actual	1975 estimate	1976 estimate
Civil Service Commission:			
Civil service retirement.....	5,429	6,983	7,641
Proposed legislation included above.....	-----	-----	(-768)
Total Civil Service Commission.....	5,429	6,983	7,641
Railroad Retirement Board:			
Railroad retirement.....	2,621	2,972	3,211
Proposed legislation included above.....	-----	-----	(-116)
Total Railroad Retirement Board.....	2,621	2,972	3,211
Department of Housing and Urban Development:			
Public housing.....	1,116	1,380	1,710
Rent supplements.....	137	185	223
Interest supplements.....	523	625	720
Total Housing and Urban Development.....	1,776	2,190	2,653
Department of Transportation: Coast Guard retirement.....	86	105	116
Total Transportation.....	86	105	116
Department of State:			
Foreign Service retirement.....	38	53	63
Proposed legislation included above.....	-----	-----	(-5)
Total State.....	38	53	63
Department of the Interior: General assistance to Indians.....	45	49	49
Total Interior.....	45	49	49
Department of Commerce: NOAA officers retirement.....	2	2	2
Total Commerce.....	2	2	2
Total Federal outlays.....	111,167	138,346	152,829
Proposed legislation included above.....	-----	(-315)	(-6,657)

SPECIAL ANALYSIS M

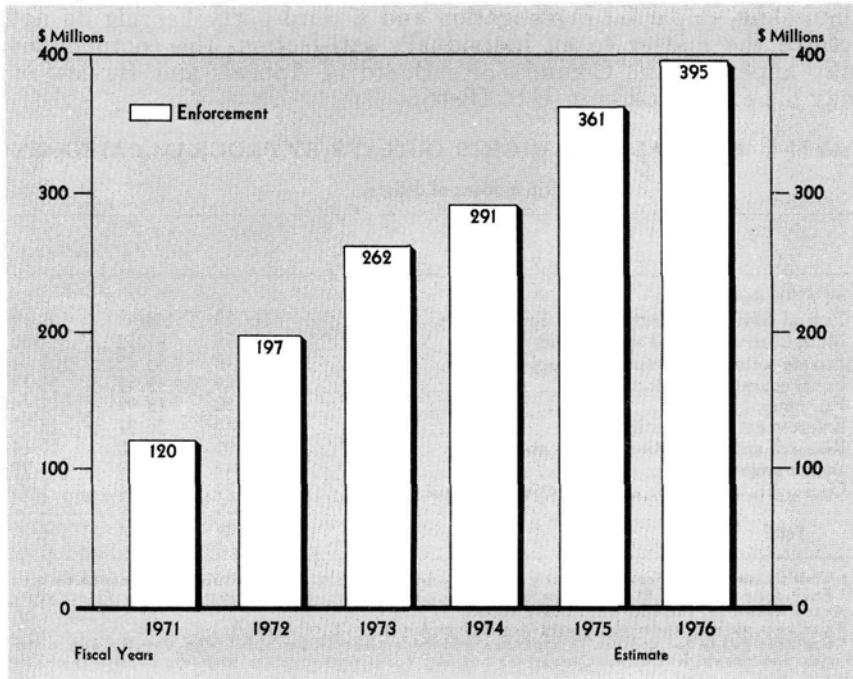
FEDERAL CIVIL RIGHTS ACTIVITIES

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 related to civil rights research and information dissemination and to the conciliation and prevention of racial disputes. Outlays to enforce these civil rights have risen from \$90 million in 1970 to \$395 million in 1976.¹

Outlays for Civil Rights Activities

M-1



¹ The thrust of this analysis focuses on civil rights enforcement activities. Because of the conceptual difficulties inherent in developing data on minority assistance programs, including duplication and lack of reliability of some data, the discussion of such programs previously included has been deleted. However, for comparative purposes a table on minority assistance (M-4) appears at the end of this analysis. Outlays under the Emergency School Aid Act as project grants will also be included in table M-4 rather than under enforcement.

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 not be treated as civil rights activities for they are more properly considered in other analyses in this document.²

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 the 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, 31,484 persons contacted equal employment opportunity counselors during 1974 for advice and assistance, and of this total, 3,435 filed formal discrimination complaints. If equal employment opportunity counseling, 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.

Table M-1. **FEDERAL CIVIL RIGHTS OUTLAYS BY PROGRAM CATEGORY**
(in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Civil rights enforcement: ¹			
Federal service equal employment opportunities.....	117.83	148.93	167.19
Military services equal opportunities ²	37.78	41.72	42.66
Private sector equal employment opportunities.....	73.10	93.12	103.02
Equal educational opportunity ³	11.89	19.41	21.14
Fair housing ⁴	13.50	15.92	17.64
Enforcement and investigation ⁵	24.12	26.97	28.52
Research and information dissemination.....	9.02	9.88	10.01
Indian programs.....	.41	.89	.72
Civil rights conciliation and prevention of disputes.....	3.79	3.74	3.93
Total.....	291.43	360.58	394.83

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

² Excludes outlays of \$17.1 million for contract compliance, fair housing and title VI activities reported elsewhere. Includes U.S. Coast Guard.

³ Excludes outlays under the Emergency School Aid Act. Cf. table M-4.

⁴ Excludes funds for contract compliance and departmental personnel who directly administer housing and urban development programs but also concern themselves with the objectives of fair housing laws.

⁵ Includes all title VI efforts except HEW and HUD.

Government policy is clear that personnel actions shall be free from discrimination based on race, color, religion, sex or national origin and that Federal agencies shall take affirmative action to

² For example, expenditures for minority participants in manpower training programs (35%) are not included. See Special Analysis J, Federal manpower programs.

assure equal employment opportunity. Agency equal employment opportunity programs are documented in written national and regional plans of action which include, where appropriate, agency established goals and timetables. 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 42% in the 2 years, 1974 to 1976 to \$167 million. Work-years will increase by 2,172 to 10,220. Although firm projections on the results of these increased efforts are difficult to make, the favorable trends observed in recent years should continue.

As of November 30, 1973, over one-fifth (20.9 percent) of Federal employees were members of minority groups. Recent surveys have reflected a continuing trend of more minorities in the middle and upper grade and pay levels despite a decrease in overall Federal employment. As of October 31, 1973, women represented 40.8 percent of the non-postal full-time Federal white-collar work force. Despite an overall decrease in general schedule employment of 11,232 positions, the number of women increased by 1,926 from October 1972 to October 1973, while the number of men decreased by 13,158.

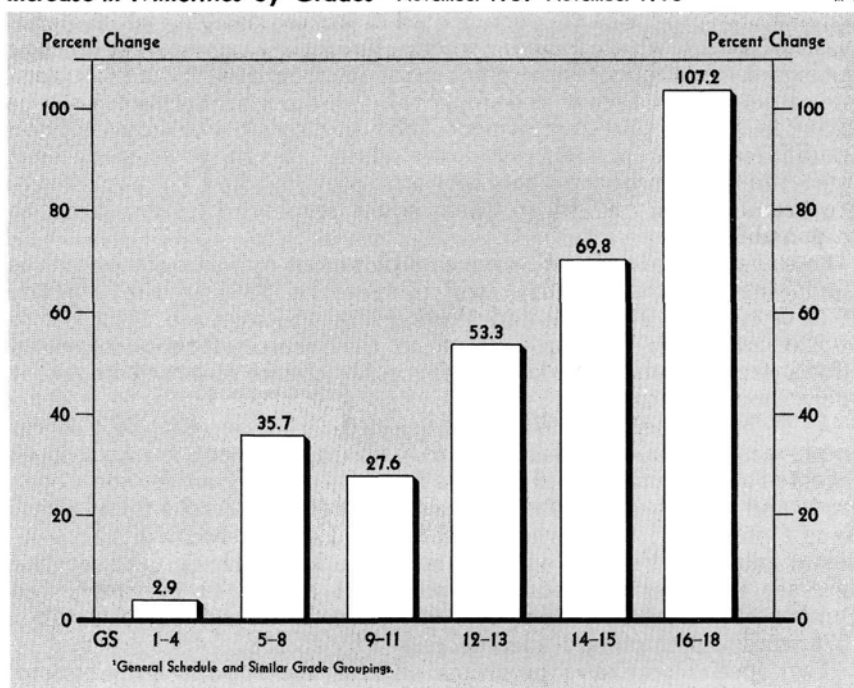
Two special emphasis programs address the specific employment problems of particular groups. Within the overall equal employment opportunity program, the Federal women's program addresses the particular employment needs and problems of women, and the Spanish-speaking program assists in providing opportunities for Spanish-speaking citizens. The successful placement of many additional women and Spanish-speaking Americans in middle-management and executive-level Federal jobs during a period of employment contraction is largely attributable to special efforts under these programs.

Finally, under the Intergovernmental Personnel Act of 1970, 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 grant-in-aid programs. Major emphasis is placed on equal employment activity. Under this program in 1974, the Commission has:

- Awarded grants for 23 State and local government projects relating to equal employment opportunity.
- Aided more than 500 State and local agencies administering grants-in-aid in the development of affirmative action plans.
- Made over 4,000 contracts geared to removing artificial employment barriers and improving personnel systems at State and local levels through expenditures for equal employment opportunity related technical assistance.

Increase in Minorities by Grades¹ November 1969–November 1973

M-2



In 1976, the Commission will continue to award grants to help advance equal employment opportunity.

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 1976, outlays for providing equal opportunities for members of the Armed Services, excluding fair housing expenditures, will increase to \$42.7 million.³ 4,156 work-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. All services are now training women as noncombat pilots. The Air Force has increased the skill ladders open to women from 43% to 98%. All services have opened their ROTC programs to women and five women serve at general/flag officer rank in the military services.

³ Military services equal opportunities includes the U.S. Coast Guard.

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 3,322 instructors from all the services in the past 4 years. 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. An example of success is the service academies where the enrollment of 465 minority cadets in the 1974 class is double the number entering in 1971. Presently there are over 1,103 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 18 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, and currently, the top enlisted position in the Air Force is held by a minority.

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, the Department of Labor and 16 cooperating agencies, will total \$103 million in 1976.⁴

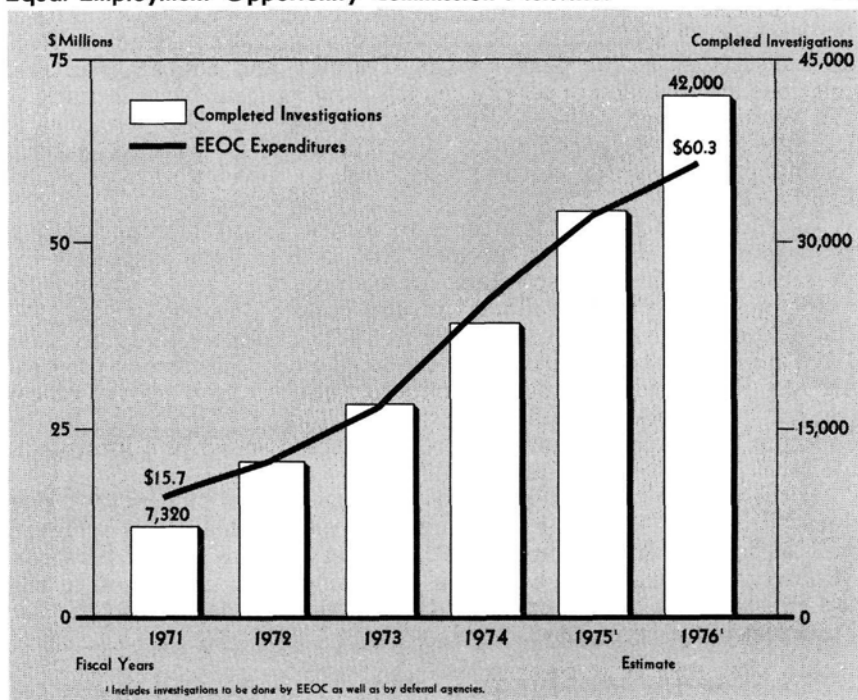
The Equal Employment Opportunity Commission will spend \$60.3 million in 1976, an increase of 12%, to carry out its responsibilities relating to nondiscrimination in employment in the private sector and State and local government. An estimated 77,700 charge resolutions are projected through the combined efforts of the Commission and State and local agencies to which, under law, charges are deferred. The Commission will more than double to \$8 million the amount of its grants to these State and local agencies which administer fair employment practices statutes in order to bring such agencies into a full partnership in handling an increasing volume of charges. As a result of these actions, an estimated 40,000 persons will receive \$70 million in cash benefits in 1976.

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 State and local governments and their agencies. In 1976, the Justice Department plans to

⁴ Excludes amounts for nondiscrimination against the aged and handicapped.

Equal Employment Opportunity Commission Activities

M-3



spend \$1.3 million to help eliminate such discrimination in the State and local public sectors.

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 1976, the Federal agencies responsible for implementing this order will spend \$39.3 million. Approximately 500,000 new hires and promotions will be effected by such affirmative action goals.

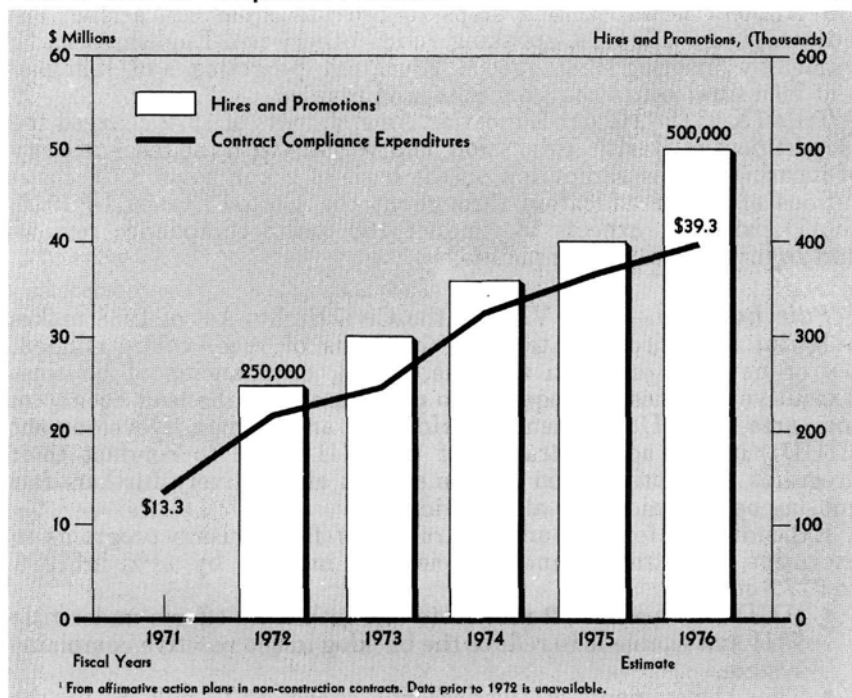
Seventy "citywide" plans for affirmative action in the construction industry, including the well-known "Philadelphia plan," have been put into effect. In addition, the Office of Federal Contract Compliance, Department of Labor, is continuing to develop proposals for statewide construction contracts. The goal for 1976 is to insure that all areas with substantial minority populations are covered under either a voluntary or imposed affirmative action plan.

Other highlights include:

- The Federal Communications Commission, an independent regulatory agency, will spend \$0.4 million in 1976 to investigate complaints of employment discrimination by broadcasters, cable

Federal Contract Compliance Activities

M-4



television systems, and common carriers, to review licensees' annual reports of employment patterns, and to enforce the rules of the Commission relating to equal employment opportunity.

- The Department of Labor will spend \$3.9 million in administering the Equal Pay Act. In 1976, as a result of these efforts, \$9.1 million in wages illegally withheld will be received by 44,000 employees, primarily women. An additional \$13.7 million in annual future income will also be forthcoming.

Equal education 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 and a nondiscriminatory policy relating to faculty and administrators. In 1976, educational programs in support of these goals will spend \$21.1 million, excluding capital assistance to predominately black colleges (developing institutions and land-grant colleges) and the emergency school assistance program.⁵

To enforce Federal laws requiring equal education opportunities for public school students, the Justice Department will spend \$1.8 million in the coming year. Although substantial compliance with the constitutional mandate has been achieved in recent years, the Justice Department continues its enforcement supervision through

⁵ Excludes amounts for nondiscrimination against the handicapped.

235 cases involving 540 schools systems.⁶ Currently, the Federal Government is also taking steps to provide equal educational opportunity for Spanish-speaking and other non-English-speaking pupils by insuring that special education programs and bilingual and bicultural education programs are provided.

Title IX of the Higher Education Amendments of 1972 charged the Department of Health, Education, and Welfare with the responsibility of insuring nondiscrimination on the basis of sex in some 2,700 institutions of higher education throughout the United States. In 1976, the Department expects to conduct 100 onsite compliance reviews and to investigate 80 complaints.

Fair housing.—Title VIII of the Civil Rights Act of 1968 makes unlawful any discrimination on the basis of race, color, religion, sex 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 11% in 1976 to \$17.6 million.

- HUD will spend \$5.2 million to strengthen its efforts under title VIII and enable it to reduce the backlog in the reactive complaint system.
- 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 \$5.3 million to assure the rights of all military personnel to available off-base housing.
- The General Services Administration (GSA) will spend \$1 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, sex, or national origin.
- The Housing and Community Development Act, approved in 1974, prohibits sex discrimination in connection with the sale, rental or financing of housing.

⁶ The desegregation of schools is progressing nationwide. The Administration will continue its commitment to assist school districts in this important process by requesting future support for the Emergency School Aid Act. In 1976, \$144 million will be spent under this program for project grants throughout the Nation to assist school districts in overcoming the effects of minority group isolation. These discretionary funds will permit a flexible approach to insure educational achievement in districts that are desegregating.

Since this money represents project grant money rather than an enforcement effort directed by on the scene Federal personnel, it is included under minority assistance programs in table M-4.

- The Equal Credit Opportunity provision (title V of Public Law 93-495), approved in 1974, makes it unlawful for any creditor to discriminate against any applicant on the basis of sex or marital status with respect to any aspect of credit transactions, including those relating to real estate.

HUD will continue its efforts to insure that the administration of all Federal housing-related 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.

Table M-2. **FEDERAL CIVIL RIGHTS OUTLAYS BY TYPE OF ACTIVITY**
(in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Civil rights enforcement: ¹			
Complaint conciliation.....	18.44	21.14	22.94
Complaint investigation.....	33.58	38.48	42.60
Compliance review and monitoring.....	58.07	77.15	83.82
Legal enforcement.....	21.00	23.48	24.57
Program direction, research and information dissemination.....	86.87	106.19	112.23
Technical assistance.....	29.46	33.10	38.44
Upward mobility.....	44.00	61.04	70.24
Total.....	291.43	360.58	394.83

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

The Justice Department has brought or participated in 214 suits against some 600 defendants in 33 States and the District of Columbia. At least 182 court orders have been entered, most of them requiring comprehensive affirmative relief to correct the effects of past housing discrimination and to maximize equal opportunity in the future. The Department has also obtained supplemental relief or brought contempt of court proceedings in 15 cases where defendants had failed to implement provisions of earlier orders. Voluntary compliance agreements have been concluded with the real estate boards of major cities, and negotiations with the National Association of Realtors resulted in the publication of an industry-wide guide which promotes equal housing opportunity.

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. Today, 98% of surveyed facilities are pledged to a policy of nondiscrimination. Recently, Defense revised its procedures to take stronger measures against landlords practicing race and sex discrimination. In 1976, Defense will devote 543 years of effort to furthering this record of achievement.

GSA, under Executive Order 11512, will expend 46 work-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 continuing to develop 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 Energy Research and Development Administration which procure space and facilities on their own, efforts similar to the above will be carried out.

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 1976, the Justice Department and other agencies with enforcement responsibilities will spend \$28.5 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 strengthen its coordination of Federal agencies' enforcement activities under title VI of the 1964 Civil Rights Act which prohibits discrimination in federally assisted programs and under the general revenue sharing legislation. Increased emphasis by the Department should result in a continuing improvement of title VI enforcement. The Department will also continue its enforcement activities directed toward compliance with laws which prohibit the interference with basic civil rights, including the right to vote and the use of public accommodations and facilities.

In 1976, the Justice Department will continue to allocate resources as necessary for investigation and 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, along with the Interior Department, American Indians. Attention will also continue to 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 under section 5 of the Voting Rights Act of 1965 are submitted to the Attorney General and must be investigated, reviewed, and adjudicated in the Department of Justice. 3,847 such changes have been received since 1970. 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 1976, the Commission will spend \$0.6 million to assist in this responsibility.

Civil rights research and information dissemination.—Expenditures grouped in this category include all moneys for civil rights activities not counted elsewhere as well as Federal research and

information dissemination efforts. Outlays in this area will total \$10 million in 1976.

- The Commission on Civil Rights will spend \$7.74 million in 1976 to carry on its factfinding function relating to denials of equal protection under the law.
- The Women's Bureau, Department of Labor, will devote \$2 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 women's action program, Department of Health, Education, and Welfare (HEW), will spend \$0.2 million in 1976 to analyze the effects of HEW programs on women and the changes required to help attain equality for women.

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.

In 1976, the Service will spend \$3.9 million to reduce racial tensions. This will permit an expansion in crisis resolution and State liaison activities. State liaison representatives will be working with State and local officials in developing their own crisis contingency plans to enable communities to eventually provide community relations services for themselves.

Table M-3. FEDERAL CIVIL RIGHTS OUTLAYS BY DEPARTMENT AND AGENCY (in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Civil rights enforcement: ¹			
Department of Agriculture.....	9.96	10.17	10.43
Department of Commerce.....	.84	.85	.80
Department of Defense.....	51.54	57.61	59.34
Department of Health, Education, and Welfare.....	13.66	23.93	25.82
Department of Housing and Urban Development.....	8.45	10.69	11.91
Department of the Interior.....	1.54	2.17	2.15
Department of Justice.....	18.65	20.13	20.91
Department of Labor.....	8.23	10.11	10.81
Department of State.....	*	*	*
Department of Transportation.....	2.94	3.55	3.80
Treasury Department.....	.76	1.06	1.25
Civil Service Commission ²	118.05	149.45	167.81
Commission on Civil Rights.....	6.06	7.15	7.74
Energy Research and Development Administration ³	1.31	1.59	2.27
Environmental Protection Agency.....	.61	1.01	1.25
Equal Employment Opportunity Commission.....	42.10	53.68	60.26
Federal Communications Commission.....	.25	.36	.44
General Services Administration.....	3.51	4.43	5.11
Community Services Administration ⁴.....	.39	.34	.59
Postal Service ⁵	---	---	---
Small Business Administration.....	.73	.79	.83
Veterans Administration.....	.77	.86	1.23
Other independent agencies.....	1.08	.65	.08
Total.....	291.43	360.58	394.83

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 The Atomic Energy Commission expired Jan. 19, 1975. The majority of its resources were transferred to this new agency upon its expiration.

⁴ The Office of Economic Opportunity was replaced by the Community Services Administration on January 4, 1975.

⁵ Postal Service outlays appear in the Annexed Budget.

* Less than \$10 thousand.

Table M-4. FEDERAL MINORITY ASSISTANCE PROGRAMS
MINORITY ASSISTANCE OUTLAYS BY PROGRAM CATEGORY¹
 (in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Indian programs ²	1, 112. 10	1, 338. 60	1, 403. 00
Minority business enterprise ³	972. 46	1, 062. 35	1, 059. 35
Emergency School Aid Act.....	202. 92	206. 96	143. 64
Minority Higher Education Assistance ⁴	66. 49	93. 10	111. 06
Total	2, 353. 97	2, 701. 01	2, 717. 05

¹ Minority assistance programs broaden opportunities for economic participation and self-determination.

² The composition of Indian outlays has been changed from prior years to exclude programs not specifically established for Indians.

³ Excludes the minority bank deposit program and Indian programs, but includes loans, surety bonds, guarantees and 8(a) contracts at obligated values.

⁴ Outlays shown in the above table for predominately 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.

MINORITY ASSISTANCE OUTLAYS BY AGENCY¹
 (in millions of dollars)

	1974 actual	1975 estimate	1976 estimate
Department of Agriculture.....	13. 53	18. 08	19. 41
Department of Commerce.....	82. 53	97. 37	88. 57
Department of Defense.....	79. 37	83. 37	87. 47
Department of Health, Education, and Welfare.....	510. 05	673. 12	650. 55
Department of Housing and Urban Development.....	53. 31	37. 15	34. 32
Department of the Interior.....	852. 07	908. 32	945. 05
Department of Labor.....	13. 02	41. 16	41. 51
Environmental Protection Agency.....	7. 00	9. 00	10. 00
Energy Research and Development Administration.....	7. 50	8. 15	9. 10
National Aeronautics and Space Administration.....	7. 89	8. 50	10. 00
Small Business Administration ²	663. 03	751. 47	753. 85
Veterans Administration.....	11. 90	13. 00	14. 50
Other agencies.....	52. 77	52. 32	52. 72
Total	2, 353. 97	2, 701. 01	2, 717. 05

¹ Minority assistance programs broaden opportunities for economic participation and self-determination and include Indian programs. Loans, surety bonds, guarantees and 8(a) contracts are included at their obligated values.

² All Federal procurement from minorities through sec. 8(a) of the Small Business Act is reported under the lead agency, Small Business Administration.

SPECIAL ANALYSIS N

FEDERAL PROGRAMS FOR THE REDUCTION OF CRIME

Reduction of crime is a high Federal priority. Sixteen Federal agencies and commissions participate in providing a national response to the crime problem. Federal programs are not only concerned with enforcing statutes and administering criminal justice but are also designed to increase understanding of the causes of criminal behavior, prevent the commission of criminal acts, rehabilitate offenders, and reform Federal criminal laws. The objective is to reverse the trend of rising crime so that the losses in economic and human resources associated with crime are substantially reduced, and the fear of criminal abuse or exploitation in our communities is alleviated.

The Federal crime reduction program complements activities of State and local governments which have the widest responsibilities for law enforcement and administration of justice. Federal assistance in the form of grants-in-aid, training, and technical assistance contributes to the effectiveness of State and local crime reduction programs.

ACCOMPLISHMENTS OF THE PAST YEAR

There were numerous accomplishments in the area of crime reduction during the past year. Among the most significant developments were:

- Strike force indictments increased from 548 in 1973 to 800 in 1974, and in convictions from 930 to 1,544.
- Major gains in cooperative international enforcement efforts to stop drug traffic before it reaches the United States.
- Enactment of speedy trial legislation requiring, after an initial period, trial of accused persons within 100 days after arrest of persons accused of Federal violations.
- Located 37,891 fugitives during 1974, the highest number in the history of the FBI.
- Losses to the public resulting from the passage of counterfeit currency declined by 27% from 1973 and 49% from the record level in 1972.
- Completion of an LEAA victimization survey on the amount of crime committed in the United States.

1976 BUDGET HIGHLIGHTS

Federal outlays for the reduction of crime will total \$3.0 billion in 1976, as compared with \$2.8 billion in 1975 and \$2.4 billion in 1974. It is estimated that expenditures for this purpose by all levels of government—Federal, State, and local—will exceed \$16.5 billion in 1976. Of the \$3.0 billion in Federal expenditures, \$1.2 billion or 41% will be used to assist State and local governments to improve their criminal justice systems. The Department of Justice will continue its extensive Federal crime reduction program with expenditure of \$1.9 billion in 1976. The Treasury Department has the second largest Federal program which is budgeted for \$374 million in 1976.

Table N-1. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY AGENCY ¹

(in thousands of dollars)

Agency	Outlays		
	1974 actual	1975 estimate	1976 estimate
The Judiciary.....	79,145	92,360	107,219
Department of Agriculture.....	7,869	9,826	10,425
Department of Commerce.....	1,837	2,137	2,342
Department of Defense—Civil.....	5,941	6,807	7,164
Department of Health, Education, and Welfare.....	197,620	259,195	254,797
Department of Housing and Urban Development.....	28,109	15,680	12,190
Department of the Interior.....	46,465	48,631	52,874
Department of Justice.....	1,569,740	1,816,046	1,938,613
Department of Labor.....	6,135	7,900	7,900
Department of State.....	5,162	26,800	37,800
Department of Transportation.....	37,788	30,435	32,741
Department of the Treasury.....	282,221	343,367	373,516
General Services Administration.....	72,123	68,062	70,289
Veterans Administration.....	90,551	111,279	118,413
Other independent agencies.....	427	458	527
Total Federal outlays.....	2,431,133	2,838,983	3,026,810

¹ Does not include Department of Defense—Military and \$36.1 million of outlays for the U.S. Postal Service which are included in the Annexed Budget for 1976.

Application of resources to the reduction of illicit drug traffic will be further expanded throughout the full range of Federal criminal justice activities. The Drug Enforcement Administration (which consolidated Federal drug enforcement activities previously scattered in four separate agencies) is continuing development and implementation of a comprehensive Federal enforcement strategy. A new El Paso Intelligence Center (which will support the Customs Service, Immigration and Naturalization Service, and the DEA) is expected to be fully operational in 1976. Emphasis will be on improving interdepartmental cooperation at the Federal level and increasing effectiveness of State and local enforcement officers in drug investigations. A summary of expenditures related to enforcing drug laws is contained in table N-2.

Table N-2. FEDERAL OUTLAYS FOR DRUG ENFORCEMENT ¹

(in millions of dollars)

Agency	Outlays		
	1974 actual	1975 estimate	1976 estimate
Department of Agriculture.....	1.6	1.5	1.5
Department of Defense—Civil.....	0.3	0.4	0.4
Department of Justice.....	139.7	187.9	203.3
Department of State.....	5.2	26.8	37.8
Department of the Treasury.....	52.7	64.4	62.1
Total Federal outlays.....	199.5	281.0	305.1

¹ Does not include Department of Defense—Military and U.S. Postal Service.

CRIME REDUCTION PROGRAMS BY ACTIVITY

Budget outlays included in this special analysis represent all Federal programs related to crime reduction except expenditures of the Department of Defense.¹ The analysis covers estimated costs of the Judiciary related to criminal adjudication. Even though such programs may indirectly reduce crime, the analysis excludes general social programs, unless they are clearly within the context of crime reduction or prevention, such as vocational training of prisoners or treatment and rehabilitation of narcotic addicts. This analysis does not include cost of background investigations for employment, administrative inspections, or investigations of a regulatory nature which might in rare cases result in the application of criminal sanctions. Where activities involve both criminal and civil proceedings, such as operation of Federal courts, an allocation of outlays to the crime-related function has been estimated. The narrative is not intended to be all-inclusive, but rather highlights new initiatives contained in the 1976 budget and portrays the wide range of activities and agencies involved in the Federal crime reduction program.

Table N-3. **FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND SELECTED ACTIVITY¹** (in thousands of dollars)

Major program and selected activity	Outlays		
	1974 actual	1975 estimate	1976 estimate
Crime research and statistics:			
Statistics on crime, criminals, and criminal justice system.....	31,509	37,988	37,342
Research on criminal behavior and sociology of crime.....	64,661	72,401	72,881
Program total.....	96,170	110,389	110,223
Reform of criminal laws.....	3,292	3,907	3,879
Services for prevention of crime:			
Public education on law observance, enforcement, and crime prevention.....	26,158	27,620	18,964
Special programs for the rehabilitation of narcotic addicts....	146,771	223,351	227,113
Prevention and control of juvenile delinquency.....	168,992	169,951	177,509
Development of other community crime prevention services....	42,507	35,682	32,255
Program total.....	384,428	456,604	455,841
Criminal law enforcement:			
Investigations into violations of Federal criminal law.....	676,992	781,236	839,177
Federal protection of individuals and facilities.....	51,285	56,453	63,063
Assistance to State and local governments for enforcement...	183,449	221,599	234,287
Program total.....	911,726	1,059,288	1,136,527

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):

	1974	1975	1976
Department of Army.....	312,874	327,169	341,726
Department of the Navy.....	11,633	11,662	9,248
Department of the Air Force.....	430,824	433,102	451,406
Total, Department of Defense.....	755,331	771,933	802,380

Table N-3. **FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND SELECTED ACTIVITY¹** (in thousands of dollars)—Continued

Major program and selected activity	Outlays		
	1974 actual	1975 estimate	1976 estimate
Law enforcement support:			
Criminal intelligence and information systems.....	43,850	58,195	59,305
Education and training of enforcement officers.....	219,139	248,655	260,111
Laboratories and criminalistics.....	32,864	42,792	47,046
International programs in support of domestic law enforcement.....	13,926	41,193	56,894
Program total.....	309,779	390,835	423,356
Administration of criminal justice:			
Conduct of Federal criminal prosecutions.....	63,751	78,533	88,697
Operation and support of Federal court systems.....	98,907	115,120	126,114
Assistance to States and localities for improved administration of justice.....	60,223	71,409	68,281
Program total.....	222,881	265,062	283,092
Rehabilitation of offenders:			
Operation of Federal correctional institutions.....	165,973	173,772	207,474
Federal probation, parole, and community treatment.....	21,008	25,394	32,597
Federal inmate education and training.....	9,606	13,010	14,021
Federal inmate medical treatment.....	18,211	20,362	21,903
Other programs supporting Federal corrections.....	1,824	2,101	2,649
Assistance to States and localities for improved correctional programs.....	228,990	256,583	263,701
Program total.....	445,612	491,222	542,345
Planning and coordination of crime reduction programs.....	57,245	61,676	71,547
Total Federal outlays.....	2,431,133	2,838,983	3,026,810

¹ Does not include Department of Defense—Military and U.S. Postal Service.

Crime research and statistics.—Crime research and statistics encompass Federal activities designed to produce numerical data and other information concerning crime, criminals, and the criminal justice system, and to develop new techniques and methods for operation of that system.

- Total Federal outlays for crime research and statistics are estimated to be \$110 million in 1976. Of this amount \$37.3 million will be spent for collection of quantitative data, and \$72.9 million for research.
- DEA will improve its ability to monitor drug abuse trends and techniques for determining sources of illegal drugs. Research will focus on developing tools and techniques to improve productivity of investigators and agents.
- The Coast Guard will continue research to improve its capability for detecting and assessing the environmental impact of pollution law violations. Prototype airborne classification and quantification sensors will be constructed and tested in 1976.

- The U.S. Postal Service will improve postal security and detection devices such as a letter tracing system, antitampering devices for mail sacks, and portable containers for suspect letter bombs.
- The Immigration and Naturalization Service will expand research to improve its enforcement programs against illegal aliens.
- Expenditures by the Law Enforcement Assistance Administration to develop and evaluate new enforcement technology will total \$36.3 million in 1976 while criminal statistical collection will account for \$31.3 million.

Reform of criminal laws.—Criminal law reform consists of efforts to improve the quality of criminal statutes and assure that they accurately reflect the values and standards of our society.

- \$3.9 million will be spent on criminal law reform in 1976. Approximately 90% of the 1976 expenditures will support law reform efforts in State and local governments.
- In 1976, the National Commission for the Review of Federal and State Laws Relating to Wiretapping and Electronic Surveillance will be conducting its second full year of study into the impact provisions of the Omnibus Crime Control Act of 1968 authorizing the use of wiretaps for law enforcement purposes.
- A special unit within the Criminal Division of the Justice Department has been created to establish procedures and coordinate use of the immunity provisions of the Organized Crime Control Act of 1970, as well as to monitor requests for immunity.
- The Drug Enforcement Administration will draft and revise regulations and procedures for the Comprehensive Drug Abuse Prevention and Control Act which will be applicable to individuals and industry alike.
- During 1976 the Commission to Review National Policy Toward Gambling will hold public hearings and conduct studies and surveys to determine the nature, extent, and public attitude toward gambling in order to formulate recommendations on a national policy.
- The Department of Justice and the Federal Judiciary will implement the provisions of recently enacted "speedy trial" legislation requiring, after a period of years for implementation, that accused criminal offenders be brought to trial within 100 days of arrest.
- The Federal Election Campaign Act Amendments of 1974, created a commission which will be established to administer, obtain compliance with, and formulate policy with respect to Federal campaign financing.

Prevention of crime.—Crime prevention includes efforts to limit the probability that criminal acts will be committed through means other than direct enforcement or general correctional activities. This category therefore encompasses public education, drug addict rehabilitation, juvenile delinquent programs, and projects to improve police-community relations.

- An estimated \$456 million will be concentrated on crime prevention programs in 1976.

- The bulk of the Federal drug treatment, rehabilitation, research, and prevention programs will be located in the National Institute on Drug Abuse within the Alcohol, Drug Abuse, and Mental Health Administration in HEW.
- In 1976, HEW will continue to support drug treatment capacity which together with State and local treatment resources should provide sufficient care for every heroin addict seeking help.
- The Urban Mass Transportation Administration expects to make \$1 million in grants to State and local governments in 1976 for procurement and installation of public transit equipment containing crime prevention devices.
- During 1976, the Law Enforcement Assistance Administration will continue to encourage States and localities to adopt the crime prevention standards developed by the National Conference on Criminal Justice.
- The Department of Justice, in cooperation with other Federal agencies, established an Advisory Committee on False Identification to analyze the problems resulting from the ready availability of falsified identification documents.
- The Departments of Justice, Treasury, and Transportation will continue their combined efforts to encourage better security against cargo theft.

Criminal law enforcement.—Criminal law enforcement includes activities to detect, identify, and apprehend violators of criminal laws. Federal support of State and local enforcement is also included in this category, as is investigation by Federal agents into all Federal offenses. Representative programs include policing of Federal property, special activities against organized crime and illicit drug trafficking, and grants to upgrade the effectiveness of State and local law enforcement.

- Criminal law enforcement will account for \$1.1 billion in outlays during 1976, including \$238 million in support of State and local enforcement programs.
- DEA will continue enforcement actions to suppress illicit drug distribution on a national and worldwide basis, directing a majority of its resources toward arrest and prosecution of the highest level drug traffickers.
- The Justice Department's Antitrust Division will step up its efforts to reduce public and private interference with the free market system, and add support to government programs regulating abuses of market power, in order to relieve artificial inflationary pressures on costs and prices.
- The Department of Labor will continue its participation in the Federal program against organized crime by providing compliance officers to identify, investigate, and assist in the prosecution of labor racketeers who manipulate welfare and pension funds.
- The FBI and other elements of the Department of Justice will continue placing high priority on investigating and prosecuting white collar and organized crime offenders.
- In 1976, the Immigration and Naturalization Service (INS) will add 213 additional border patrol agents to strengthen the enforcement program.

- The INS will issue a new alien documentation card which will help reduce illegal entry into this country with forged documents.
- The Securities and Exchange Commission will continue to give top priority to cases involving organized crime, particularly those instances concerning criminal infiltration into the securities industry.
- In 1976, the Secret Service will add 130 Executive Protective Service officers to provide security for foreign diplomatic missions in Washington, D.C.
- The Bureau of Alcohol, Tobacco and Firearms of the Treasury Department expects to perform over 40,000 firearms traces which will assist Federal, State, and local enforcement agencies in identifying firearms used in crimes.
- Customs will continue emphasizing investigations of fraudulent importations and smuggling of imports into the United States.

Law enforcement support.—Law enforcement support entails activities contributing to the effectiveness of criminal law enforcement. Included are operation of criminal intelligence systems, education and training of enforcement officers, activities of forensic laboratories, and international programs supporting domestic enforcement efforts, primarily in the area of narcotics control.

- Outlays of \$423 million are projected for law enforcement support in 1976. Of this amount, \$222 million will assist State and local enforcement by funding laboratories, training programs, and criminal intelligence networks.
- The Drug Enforcement Administration will support State and local drug enforcement activities in 1976 by conducting training schools for law enforcement officers and forensic workshops for chemists.
- The Veterans Administration will provide financial assistance for 21,500 policemen to pursue on-the-job training and related academic instruction during 1976.
- The Bureau of Alcohol, Tobacco and Firearms will train over 40,000 police officers representing over 2,500 police agencies in the areas of explosive and firearms investigations.
- During 1976, the State Department will continue to finance training programs, advisory services, crop substitution projects, and other drug prevention activities to assist foreign governments in their efforts to disrupt the international flow of illicit narcotics. Funds are also provided to support the activities of the United Nations Fund for Drug Abuse Control.
- Outlays of \$20.7 million are planned in 1976 for the new Federal Law Enforcement Training Center, which will provide basic and specialized training to Federal personnel in a variety of law enforcement subjects.

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 supporting activities.

- Over \$283 million will be devoted to prosecution of criminal cases and administration of criminal justice in 1976, including \$68 million for assisting State and local prosecution and court sys-

tems. Operation of the Federal judiciary will require expenditure of \$126 million in 1976 and criminal prosecutions will account for \$89 million.

- In 1976, the U.S. Attorney's offices will add 247 additional staff members to cope with increased workload.
- The Commission on Revision of the Federal Appellate Court System will continue its study of the jurisdiction and procedures of the Federal Courts of Appeals.
- During 1976, the Drug Enforcement Administration will encourage State officials to prosecute more cases under uniform State controlled substances acts and conduct revocation proceedings before State licensing boards.
- The U.S. Marshals Service will enhance its witness security program with 30 additional deputies and continue upgrading the service of Federal warrants by deputy marshals.
- The fees and expenses of witnesses appearing on behalf of the Federal Government to provide factual information or expert testimony will require expenditure of \$15.6 million in 1976.

Rehabilitation of offenders.—These programs encompass Government custody and rehabilitation of criminal offenders, including supervision and operation of correctional institutions, inmate and offender treatment and training programs, probation and parole services, and other supportive functions.

- Expenditure of \$542 million will support rehabilitation of offenders in 1976 as compared with \$491 million in 1975 and \$446 million in 1974.
- In 1976, LEAA will allocate \$264 million to States and localities for non-Federal correctional activities.
- During 1976, \$253 million will be spent on correctional programs of the Bureau of Prisons, with continued emphasis on developing a balanced system of community and institutional facilities for the reintegration of offenders into society.
- The U.S. Board of Parole with regionalized operations and new decisionmaking criteria will ensure greater equity, consistency, and speed in the parole process in 1975 and 1976.
- The President established through Executive order the Presidential Clemency Board to review certain convictions of persons under the Military Selective Service Act and the Uniform Code of Military Justice and to make recommendations for Executive clemency.

Planning and coordination.—Included in this category are outlays supporting State and local criminal justice planning, as well as the coordination of Federal enforcement activities nationally and with respect to international enforcement efforts.

- Approximately \$72 million will be spent on planning and coordination of crime reduction programs in 1976, consisting primarily of \$70.6 million in expenditures by the Law Enforcement Assistance Administration to encourage State and local governments to plan and evaluate their criminal justice activities.
- In 1976, the State Department will continue to coordinate inter-agency efforts to assist foreign governments and international organizations in carrying out their drug control programs.

Table N-4. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY ¹ (in thousands of dollars)

Major program and agency	Outlays		
	1974 actual	1975 estimate	1976 estimate
Crime research and statistics:			
The Judiciary.....	814	1,049	3,711
Department of Defense—Civil.....	16	18	20
Department of Health, Education, and Welfare.....	3,995	4,595	4,267
Department of Justice.....	87,196	101,257	98,154
Department of Transportation.....	3,309	2,630	3,231
Department of the Treasury.....	840	840	840
Program total.....	96,170	110,389	110,223
Reform of criminal laws:			
Department of Justice.....	3,292	3,907	3,879
Services for prevention of crime:			
Department of Defense—Civil.....	147	169	176
Department of Health, Education, and Welfare.....	136,956	198,326	200,460
Department of Housing and Urban Development.....	23,424	13,160	10,350
Department of the Interior.....	1,251	1,325	1,325
Department of Justice.....	196,862	216,176	214,457
Department of Transportation.....	100	200	1,000
Veterans Administration.....	25,688	27,248	28,073
Program total.....	384,428	456,604	455,841
Criminal law enforcement:			
Department of Agriculture.....	7,869	9,826	10,425
Department of Defense—Civil.....	4,487	5,207	5,481
Department of the Interior.....	43,060	44,594	48,321
Department of Justice.....	545,598	645,351	698,412
Department of Labor.....	2,400	2,900	2,900
Department of Transportation.....	34,267	27,486	28,382
Department of the Treasury.....	273,618	323,466	342,079
Other independent agencies.....	427	458	527
Program total.....	911,726	1,059,288	1,136,527
Law enforcement support:			
Department of Defense—Civil.....	143	164	172
Department of Health, Education, and Welfare.....	4,015	4,000	-----
Department of the Interior.....	503	732	883
Department of Justice.....	153,260	185,731	190,807
Department of State.....	5,162	26,800	37,800
Department of Transportation.....	110	117	126
Department of the Treasury.....	7,763	19,061	30,597
General Services Administration.....	72,123	68,062	70,289
Veterans Administration.....	64,863	84,031	90,340
Department of Commerce.....	1,837	2,137	2,342
Program total.....	309,779	390,835	423,356

See footnote at end of table.

Table N-4. **FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY** ¹ (in thousands of dollars)—Continued

Major program and agency	Outlays		
	1974 actual	1975 estimate	1976 estimate
Administration of criminal justice:			
The Judiciary.....	66,254	76,770	82,905
Department of Defense—Civil.....	84	99	103
Department of the Interior.....	1,382	1,711	2,076
Department of Justice.....	155,009	186,480	198,006
Department of Transportation.....	2	2	2
Department of Health, Education, and Welfare.....	150	-----	-----
Program total.....	222,881	265,062	283,092
Rehabilitation of offenders:			
The Judiciary.....	12,077	14,541	20,603
Department of Defense—Civil.....	1,064	1,150	1,212
Department of Health, Education, and Welfare.....	52,504	52,274	50,070
Department of Housing and Urban Development.....	4,685	2,520	1,840
Department of the Interior.....	269	269	269
Department of Justice.....	371,278	415,468	463,351
Department of Labor.....	3,735	5,000	5,000
Program total.....	445,612	491,222	542,345
Planning and coordination of crime reduction programs:			
Department of Justice.....	57,245	61,676	71,547
Total Federal outlays.....	2,431,133	2,838,983	3,026,810

¹ Does not include Department of Defense—Military and U.S. Postal Service.

Table N-5. SELECTED CRIME REDUCTION DATA (dollars in thousands)

	1972	1973	1974
Federal outlays for crime reduction:			
Federal crime reduction outlays assisting States and localities.....	\$674,785	\$966,863	\$1,023,906
Federal crime reduction outlays for reduction of Federal crimes.....	\$1,131,608	\$1,326,831	\$1,407,227
Total Federal outlays for reduction of crime.....	\$1,352,755	\$1,806,393	\$2,431,133
Federal personnel:			
Full-time Federal criminal investigators ¹	17,507	19,117	19,130
U.S. attorneys and assistant attorneys (man-years on criminal workload).....	763	722	775
Attorneys—criminal division (man-years).....	253	² 273	324
U.S. district court judgeships.....	401	400	400
State and local crimes: ³			
Serious crimes recorded (UCR—table 2).....	8,173,400	8,638,400	(⁴)
Violent crimes recorded (UCR—table 2).....	828,820	869,470	(⁴)
Rate of serious crimes per 100,000 inhabitants (UCR—table 2).....	3,925	4,116	(⁴)
Rate of violent crimes per 100,000 inhabitants (UCR—table 2).....	398	414	(⁴)
Percent index crimes cleared by arrest (UCR—table 15 in 1972, table 14 in 1973).....	22.0	21.2	(⁴)
Percent found guilty of persons charged by police (UCR—table 18 in 1972 and 1973).....	65.2	63.7	(⁴)
Federal investigations:			
FBI, investigative matters received.....	824,252	774,579	745,840
Immigration and Naturalization Service (investigations completed).....	30,245	30,940	32,101
Postal Service, criminal caseload.....	510,220	462,671	319,293
IRS, cases closed.....	8,518	8,500	7,215
U.S. Customs Service, cases closed.....	40,076	40,276	21,981
Secret Service, cases closed.....	⁵ 158,871	124,389	128,947
Bureau of Alcohol, Tobacco, and Firearms, cases closed.....	6,964	5,403	5,455
Disposition of Federal criminal matters:			
Investigative matters presented for prosecutive decision—prosecution declined.....	119,064	93,926	86,301
Federal criminal cases commenced ⁶	47,043	40,367	43,319
Federal criminal cases terminated ⁶	46,090	41,389	44,255
Federal criminal cases pending ⁶	25,438	24,416	27,644
Federal criminal defendants convicted.....	37,220	34,983	34,699
High echelon organized crime figures convicted.....	60	69	69
Corrections:			
Average Federal jail population.....	5,160	5,870	5,877
Average Federal prison population.....	21,329	22,294	23,332
Court commitments to Federal institutions.....	16,832	17,540	16,789
Average Federal prison sentences (months).....	47.9	51.0	(⁴)
Persons under supervision of Federal probation system (end of year).....	49,023	54,346	59,534
Federal paroles granted.....	6,174	6,339	5,540
Warrants issued for violation of conditions of release from prison.....	1,906	1,635	1,591
Executive clemency petitions granted.....	255	207	195

¹ CSC jobs classified in series 1811 as of April 30.² Includes internal security functions transferred into the Criminal Division.³ From FBI uniform crime report.⁴ Not available.⁵ Reflects closing out case backlog where no further investigation was warranted.⁶ Excludes transfers.

PART 3

SPECIALIZED ASPECTS AND
VIEWS OF FEDERAL PROGRAMS

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INTRODUCTION

Part 3 discusses trends and developments in selected areas of Government activity—aid to State and local governments, research and development, and environmental quality. It groups three special analyses, those designated O through Q.

Special Analysis O 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.

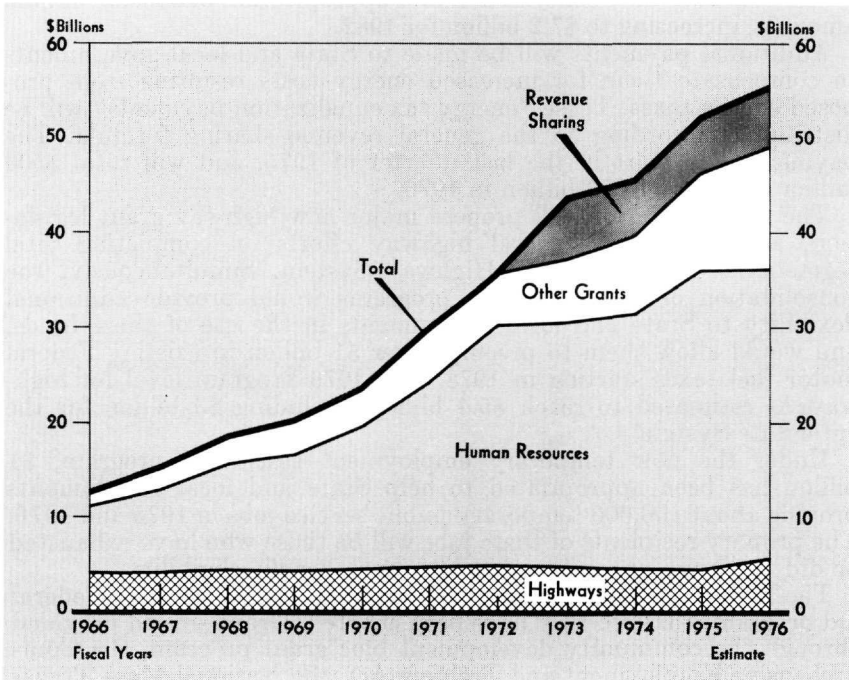
Special Analysis P identifies Federal programs for the conduct of research and development, and for facilities related to such activities.

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 O

FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

In 1976, Federal aid to State and local governments is expected to total \$56.0 billion, including \$381 million in net loan outlays. This represents an increase of \$3 billion over 1975, and an average annual increase of 15% since 1970.



These totals exclude many other Federal benefits to State and local governments which are not direct grants, shared revenues, or loans. Among those excluded are:

- Federal programs such as the \$5.5 billion supplemental security income program for the aged, blind, and disabled, which provide Federal resources for programs formerly financed by State and local governments;
- The exemption of interest on State and local securities from Federal income taxes;
- The deductibility of State and local taxes from Federal taxable income, which results in a portion of these taxes being offset by a reduction in Federal taxes; and
- Federal technical assistance, publications, and similar services, which provide indirect savings to these governments.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

The Federal aid program for 1976 will continue recent efforts to simplify government operations and transfer planning and management functions to State and local governments. These efforts are highlighted by a proposal that will soon be transmitted to the Congress to renew general revenue sharing through 1982. As of January 6, 1975, \$17.3 billion has been distributed to State and local governments under this program, helping them to provide needed services, to reduce debt burdens, and to reduce taxes. The proposed renewal would continue the authorization and appropriation of specific annual amounts, increasing to \$7.2 billion for 1982.

Additional payments will be made to State and local governments to compensate them for increased energy costs resulting from proposed energy taxes. These "energy tax equalization payments" will be distributed according to the general revenue sharing formula. The payments will start in the last quarter of 1975, and will total \$500 million in 1975 and \$2 billion in 1976.

The Administration will propose major new highway grant legislation, and will focus Federal highway efforts on completing vital segments of the Interstate Highway System. Simultaneously, the consolidation of other highway programs would provide additional flexibility to State and local governments in the use of these funds, and would allow them to preempt over \$1 billion in existing Federal motor fuel taxes starting in 1978. The 1976 program level for highways is estimated to reach \$5.4 billion, including \$3 billion for the Interstate System.

Under the new temporary employment assistance program, \$1 billion has been appropriated to help State and local governments provide about 100,000 temporary public service jobs in 1975 and 1976. The primary recipients of these jobs will be those who have exhausted or did not have unemployment insurance benefit eligibility.

The Budget includes estimates for a number of new, flexible Federal aid programs that recently have been enacted. Grants-in-aid provided through the community development bloc grant program, the Comprehensive Employment and Training Act, the National Mass Transportation Assistance Act of 1974, a new Economic Development Administration program, and the Education Amendments of 1974 provide State and local officials substantially increased flexibility within broad Federal guidelines. In addition, some older programs, such as law enforcement assistance and waste water treatment grants have increased the discretion of State and local governments in the use of funds by delegating planning, monitoring, and enforcement functions to them.

Table O-1. FEDERAL-AID EXPENDITURES BY AGENCY (in millions of dollars)

Agency	1974 actual	1975 estimate	1976 estimate
Department of Agriculture.....	5, 112	6, 279	5, 874
Department of Commerce.....	260	277	263
Department of Defense—Military.....	64	73	83
Department of Health, Education, and Welfare.....	19, 138	20, 579	20, 259
Department of Housing and Urban Development.....	3, 147	3, 372	4, 678
Department of the Interior.....	452	540	605
Department of Justice.....	637	698	754
Department of Labor.....	2, 651	4, 117	4, 161
Department of Transportation.....	5, 108	5, 592	6, 239
Department of the Treasury.....	6, 302	6, 505	6, 637
Environmental Protection Agency.....	1, 623	2, 429	2, 478
Veterans Administration.....	26	53	66
Community Services Administration.....	639	462	347
District of Columbia.....	187	230	254
Legal Services Corporation.....	-----	42	65
Washington Metropolitan Area Transit Authority.....	170	185	182
Other.....	522	717	687
Energy tax equalization payments.....	-----	500	2, 000
Total expenditures for Federal grants.....	46, 040	52, 649	55, 632

In total, Federal aid will finance about 22% of State and local expenditures in 1976. As can be seen in table O-1, about 36% of this aid is administered by the Department of Health, Education, and Welfare.

HISTORICAL PERSPECTIVES

Though grants from the National Government technically predate the Constitution, they were very small until the end of the 19th century, and did not become a truly significant factor in government expenditure until after World War II. In 1950, Federal grants to State and local governments totaled \$2 billion, and by 1960 they had risen to only \$7 billion. In 1974, they reached \$46.1 billion, an average annual increase of 14% since 1960. This may be compared to an average annual growth of 8% for total Federal outlays over the same period.

The growth of Federal aid outlays slowed significantly in 1974. To a large extent, this slowdown was illusory. The introduction of general revenue sharing in 1973 included the payment in that year of retro-active benefits for 1972, thus inflating the 1973 totals as compared to 1974. Additionally, the supplemental security income program that began on January 1, 1974, replaced a Federal grant program with a program operated by the Social Security Administration. This shift, which resulted in direct Federal payments to individuals, reduces the nominal amount of Federal grants without reducing (and often increasing) benefits.

The functional composition of the grant program has changed significantly over the years, as shown in table O-2. The most dramatic growth has occurred in the health area, which has increased from 4% of Federal aid in 1961 to an estimated 16% in 1976. This increase is primarily attributable to the medicaid program. The most striking recent changes are the addition of general revenue sharing, the increases in outlays for environmental protection, and the relative decline in grants for transportation programs.

Table O-2. PERCENTAGE FUNCTIONAL DISTRIBUTION OF FEDERAL AIDS TO STATE AND LOCAL GOVERNMENTS

	1951	1956	1961	1966	1971	1976
Natural resources, environment, and energy.....	1	1	2	2	3	6
Agriculture.....	4	10	5	3	2	1
Commerce and transportation.....	19	20	37	31	17	12
Community and regional development.....	*	1	3	9	10	8
Education, manpower, and social services.....	10	13	10	17	21	19
Health.....	8	4	4	10	15	16
Income security.....	56	48	36	26	30	22
Revenue sharing and general purpose fiscal assistance.....	2	3	2	2	1	13
Other.....	*	1	1	1	1	3
Total.....	100	100	100	100	100	100

*Less than 0.5 %.

The structure of the grant system has also changed significantly in recent years. Grant programs were originally set up to meet specific categories of national needs, and Federal controls were imposed to insure that funds were used to satisfy those needs. As the grant system grew, other programs were established to meet needs as perceived by other sponsors. While these "categorical" grant programs were often beneficial, the uncoordinated nature of the resulting system created many problems, including:

- Excessive Federal administrative requirements.
- Rigid funding and organizational arrangements that were unresponsive to changes in priorities.
- Unnecessary Federal limitations on the authority of State and local elected officials.
- The creation of competitive and duplicative State and local governmental institutions.

In the late 1960's and early 1970's, two forces merged to provide a strong impetus for reform. First, many State and local governments were experiencing fiscal difficulties, as the demand for higher levels of public services escalated. The Federal Government responded with large increases in aid through categorical grant programs. While this relieved much of the fiscal pressure on these governments, it aggravated the problems inherent in the categorical grant structure.

Simultaneously, a strong interest developed in better defining the appropriate functional responsibilities of different levels of government and in distributing decisionmaking authority accordingly. The Federal Government began an effort to differentiate those programs that clearly require direct national involvement from those which can be better administered at the State and local level.

As a result, during recent years the expansion of grant expenditures has been accompanied by continued reform efforts. These efforts have borne fruit, resulting in significant improvements in grant programs and their delivery mechanisms.

REFORM OF THE GRANT SYSTEM

Efforts to reform the grant system have focused on four basic approaches:

- Decentralization of program management functions to Federal field officials;
- Simplification of Federal grant administrative requirements;
- Maximum possible sharing of planning and management functions with State and local governments; and
- Consolidation of overlapping Federal grant programs.

The decentralization of Federal management functions has focused on standardizing the Federal field structure into a system of 10 administrative regions, and the creation of a Federal Regional Council in each regional headquarters city. This enables State and local officials to work more closely with the Federal authorities who sit on the councils, and facilitates coordination among Federal agencies at the regional level. Most Federal assistance agencies now not only share common geographic boundaries, they also have developed common services arrangements, procedures for multiagency funding of applications, and improved techniques for responding to the needs of States and localities on an interagency basis.

The simplification of Federal administrative requirements for grants has been carried out through issuance of Government-wide standards and selected reductions in grant application and reporting requirements. The recently enacted Joint Funding Simplification Act of 1974 should further this process. Joint funding, which until recently had been carried out on a trial basis, simplifies funding and other procedures in cases where a grantee receives assistance from two or more different agencies or programs within one agency.

The budget includes a number of programs aimed at increasing the abilities of State and local governments to plan and manage federally assisted activities. Almost \$600 million was spent by the Federal Government in 1974 toward strengthening the program management capability of State and local governments. This was done primarily through grants-in-aid, but also through technology transfer and technical assistance. A 16% increase in this effort is projected for 1976. In addition, new efforts will be made to coordinate the various agency programs into a more coherent overall Federal strategy for strengthening policy management capability.

A significant amount of already enacted legislation consolidates programs and delegates decisionmaking authority and responsibility to recipients. General revenue sharing provides a broad foundation for these efforts. Now in its third year, this program distributes Federal funds to virtually all State and local governments with minimal restrictions. The proposed renewal would extend the program through 1982 in essentially its current form. The constraint on a jurisdiction's maximum per capita allocation would be eased, and present reporting and public participation provisions would be improved.

Table O-3. GENERAL REVENUE SHARING (in billions of dollars)

Fiscal year	Current program		Fiscal year	Proposed renewal	
	Entitlements enacted	Outlays estimates		Entitlements estimates	Outlays estimates
1972-----	2.6	-----	1977-----	4.8	3.2
1973-----	5.6	6.6	1978-----	6.6	6.6
1974-----	6.1	6.1	1979-----	6.8	6.8
1975-----	6.2	6.2	1980-----	6.9	6.9
1976-----	6.4	6.3	1981-----	7.1	7.1
Transition quarter-----	1.7	1.7	1982-----	7.2	7.2
1977-----	1.7	3.3	1983-----	-----	1.6
1978-----	-----	.1			
Total-----	30.2	30.2	Total-----	39.4	39.4

The *community development* grant program begins its first full year of operation in 1976. This program replaces seven categorical grant and loan programs, including urban renewal and model cities. The bloc grant approach permits local governments greater flexibility in responding to unique local needs and priorities. Funds are distributed among local governments in both urban and rural areas according to a formula based on objective measures of need. To insure a smooth transition, localities that received disproportionate assistance under the seven phased-out programs are eligible to receive allocations in excess of their formula share for a limited period under a declining "hold-harmless" provision.

Recent amendments to the *Economic Development Administration* (EDA) authorizing legislation will allow the States more flexibility in using a portion of their EDA funds. Money for this new program will be allocated according to a formula based on previous levels of funding, and may be used by the States to supplement grants to local governments or to initiate eligible new projects.

The *Rural Development Act of 1972*, is being administered in a manner supportive of the plans and priorities of State and local governments. The recommended 1976 level of funding for business and industrial development loans is \$300 million. In addition, funding levels of \$600 million in loans and \$160 million in grants for water, sewer, and other community facilities are proposed. These funds are allocated among the States on the basis of rural population.

The *Comprehensive Employment and Training Act of 1973* (CETA) is a major advance toward the goal of permitting substantial local discretion in manpower program design and resource allocation decisions. Under the former manpower programs (Manpower Development and Training Act and title I of the Economic Opportunity Act), most activity was conducted through some 10,000 direct Federal contracts. In comparison, CETA provides for grants to about 400 States and localities to use in accord with their own analysis of area program needs. Funds are distributed through a formula based on prior-year funding, unemployment level, and number of low-income individuals. This approach offers at least three key advantages:

(1) local elected officials will be accountable to their citizens for program choice and performance;

(2) broad national priorities can be applied in a meaningful way to local situations; and

(3) stable local manpower programs will permit a better tracking of their effectiveness.

The *National Mass Transportation Assistance Act of 1974* changes the basic concept of Federal support for mass transit. The act provides contract authority of \$11.8 billion to be available through 1980. Of this total, \$7.8 billion is earmarked for existing Federal assistance programs. The remaining \$4.0 billion will be distributed by formula among State and local governments to divide as they see fit between capital expenditures and operating subsidies. The formula is based on each urbanized area's relative population and density. Funds can be used to cover up to 80% of project construction costs. When used for transit operating subsidies, Federal funds must be matched by equal subsidies from recipient governments.

The *Education Amendments of 1974* consolidate several programs into two groups. A new educational support and innovation program consolidates four categorical programs (supplementary educational centers, dropout prevention, health and nutrition, and aid to State departments of education), giving recipients more discretion in the allocation of resources among the programs. Similarly, the libraries and instructional resources program consolidates the school library program, the guidance and instructional resources program, and the equipment program of the National Defense Education Act. The authorization provides that these consolidations will take place only if funds for these programs are appropriated 1 year in advance and at required levels.

In 1976, the nonhighway programs of the *Appalachian Regional Commission* will continue to undergo changes, providing greater flexibility for the Commission in meeting the diverse problems and needs of Appalachia. The new approach allows the Appalachian States to determine for themselves the best mix of investments for meeting the changing needs of the region. State involvement will be increasingly emphasized in the planning, budgeting and program management activities of the Commission.

Law enforcement assistance grants and waste water treatment grants both involve State and local officials in planning and monitoring functions. Grant outlays for LEAA will rise 8% to \$754 million in 1976. Waste water treatment grants will reach \$2.5 billion, about the same level as 1975.

THE IMPACT OF FEDERAL AID

Federal aid has become an increasingly important factor in the finances of all levels of Government. In 1976, Federal grants will constitute 16% of total Federal outlays, or 22% of budget outlays for domestic civil purposes. In 1965, grants were only 9% of the budget. Federal aid has also increased as a percentage of State and local governmental expenditures, growing from 15% to 22% during the same period.

Table O-4. IMPACT OF FEDERAL GRANT OUTLAYS ON GOVERNMENTAL EXPENDITURES

Fiscal year	Amounts (millions)	Federal aid		
		As a percent of—		
		Total Federal outlays	Domestic Federal outlays ¹	State-local expend- itures ²
1960.....	\$7,040	7.6	15.9	14.7
1965.....	10,904	9.2	16.6	15.4
1970.....	23,954	12.2	21.1	19.1
1971.....	29,849	14.1	22.7	21.1
1972.....	35,940	15.5	23.8	23.0
1973.....	43,963	17.8	26.1	25.2
1974.....	46,040	17.2	24.7	23.6
1975 estimate.....	52,649	16.8	23.6	23.3
1976 estimate.....	55,632	15.9	22.3	22.2

¹ Defined for this purpose as excluding national defense and international programs.

² As defined in the National Income Accounts.

The influence of Federal aid is substantially greater than the figures alone indicate. Many grant programs are intended to encourage innovation by State and local governments by testing a new concept's validity. Other programs restrict States by requiring them to establish and maintain specific agencies, though many of these provisions are being phased out. Most importantly, many programs require the recipient government to match Federal aid funds with its own resources. In the last few years, State and local governments have allocated about 10% of their own revenue to match Federal grant moneys. Broad-based formula grants generally reduce or eliminate matching requirements, thereby freeing resources to be used according to State and local priorities.

Federal aid is also provided through two types of *tax expenditures* that aid State and local governments. First, the exclusion of interest on State and local securities from Federal taxable income permits these jurisdictions to borrow at reduced interest rates. The exclusion will reduce Federal receipts by approximately \$4.8 billion in 1976, and will subsidize State and local borrowing by a somewhat smaller amount. Second, the deductibility of most State and local taxes permits taxpayers to offset part of these taxes with a reduced Federal income tax liability. Hence, a State or locality can raise a dollar of revenue with significantly less than a dollar net cost to its taxpayers. The receipts foregone by the Federal government are estimated to be \$0.8 billion for gasoline taxes, \$5.3 billion for property taxes on owner-occupied homes, and \$10.0 billion for other non-business State and local taxes.

(There is no tax expenditure associated with taxes that businesses pay to States and localities, because these are normal business expenses.)

Federal aid on a per capita basis varies widely among regions, and even among States in the same region. The thinly populated Western States traditionally rank high because of highway construction grants and shared revenues from Federal land holdings. For example, the Rocky Mountain States have the lowest regional population density, extensive Federal land holdings, and, until recently, the highest per capita aid.

Table O-5. PER CAPITA DISTRIBUTION OF GRANTS, SELECTED FISCAL YEARS

Federal region ¹	1969	1971	1973	1974	Percent change 1969-74
I—Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island.....	\$102	\$144	\$202	\$231	126
II—New York, New Jersey, Puerto Rico, Virgin Islands.....	103	159	235	254	147
III—Virginia, Pennsylvania, Delaware, Maryland, West Virginia, District of Columbia.....	94	147	220	223	137
IV—Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida....	101	142	200	203	101
V—Illinois, Indiana, Michigan, Ohio, Wisconsin, Minnesota.....	77	105	172	184	139
VI—Arkansas, Louisiana, Oklahoma, New Mexico, Texas.....	111	145	209	206	86
VII—Iowa, Kansas, Missouri, Nebraska.....	88	117	168	161	83
VIII—Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming.....	136	178	251	242	78
IX—Arizona, California, Nevada, Hawaii, other territories.....	116	168	228	226	95
X—Idaho, Oregon, Washington, Alaska.....	117	172	267	258	121
United States.....	99	141	212	215	117

¹ These are not the same regions as those used for National Income Account computations.

Source: "Federal Aid to States," Department of the Treasury; and "Governmental Finances in 1973-74," Bureau of the Census. These reports provide additional information concerning State distribution of Federal grants.

This effect has diminished in recent years, however, as human resources programs have grown relative to physical resources programs. Further, the addition of general revenue sharing has tended to equalize per capita figures among the regions. Region VIII, which had per capita grants 37% above the national average in 1969, now has grants only 13% over the average, while region V has risen from 22% below the average to only 14% below. Region II has experienced the most rapid growth during this period.

Table O-6. THE IMPACT OF FEDERAL GRANTS ON SMSA's
(in millions of dollars)

	1974	1975	1976
National defense.....	32	37	41
Natural resources, environment, and energy:			
Environmental Protection Agency.....	1,217	1,822	1,858
Other.....	192	220	235
Agriculture:			
Distribution of surplus commodities.....	140	96	2
Other.....	208	131	138
Commerce and transportation:			
Highways.....	2,589	2,624	2,783
Airports.....	194	232	288
Urban mass transportation.....	346	714	994
Washington metropolitan area transit authority.....	170	185	182
Other.....	8	12	12
Community and regional development:			
Appalachia.....	112	130	130
Community development grants.....	-----	225	1,300
Model cities.....	443	265	218
Urban renewal.....	904	898	898
Community Services Administration.....	502	369	281
Other.....	449	464	468
Education, manpower, and social services:			
Elementary and secondary education.....	1,356	1,536	1,782
Vocational education.....	501	555	568
Rehabilitation services.....	868	1,051	1,076
Social services.....	1,103	1,467	1,182
Comprehensive manpower assistance.....	852	1,832	1,738
Emergency employment assistance.....	597	58	-----
Unemployment trust fund.....	310	373	356
Other.....	1,220	1,475	1,285
Health:			
Health services.....	371	419	369
Alcohol, drug abuse, and mental health.....	266	432	402
Health resources.....	419	502	435
Medical assistance.....	3,567	4,039	4,387
Other.....	53	54	67
Income security:			
Commodity distribution.....	446	287	24
Food and nutrition service.....	2,395	3,322	3,397
Public assistance.....	4,019	3,507	3,458
Housing payments.....	837	980	1,078
Unemployment trust fund.....	366	564	517
Revenue sharing and general purpose fiscal assistance:			
General revenue sharing.....	4,274	4,323	4,410
Other.....	301	429	456
Other functions:			
Law enforcement assistance.....	560	612	662
Other.....	17	65	88
Energy tax equalization payments.....	-----	350	1,400
Total aids to urban areas.....	32,214	36,666	38,974

In addition, an important qualitative shift has been taking place in Federal grants—a greater share is going to urban areas. The American population is becoming increasingly urban; today, over 70% of the population lives in the 265 standard metropolitan statistical areas (SMSA's). About \$39 billion or 70% of Federal grants will be spent in or directly affect these SMSA's in 1976. This is an increase of \$19 billion, or 94%, over the level provided to urban areas in 1969.

FEDERAL STATISTICS ON GRANTS TO STATE AND LOCAL GOVERNMENTS

The Federal Government produces three major statistical series for Federal aid to State and local governments—the national income accounts grants-in-aid series,¹ the Federal payments (Census) series, and the budget series exhibited in this special analysis. The budget series is designed to provide a comprehensive picture of Federal aid, focusing on programs that are financed but not directly administered by the Federal Government. The Census and NIA series are parts of broader statistical concepts encompassing the entire economy, and as a consequence they define Federal grants somewhat more narrowly than the budget series. They both omit the following items which the budget series includes:

- Federal aid to the governments of Puerto Rico and U.S. territories;
- Payments in-kind, primarily commodities purchased by the Department of Agriculture and donated to the school lunch and other nutrition programs;
- Food stamp payments, which are similar in nature to public assistance grants but are administered somewhat differently; and
- Payments to private, nonprofit entities (such as manpower training programs and nonprofit hospitals) which operate under State auspices or within a State plan.

Table O-7. **THREE MEASURES OF FEDERAL AID TO STATE AND LOCAL GOVERNMENTS, 1965-73** (in billions of dollars)

	1965	1968	1971	1972	1973
Budget (Special O)	10.9	18.6	29.8	35.9	44.0
Less principal exclusions:					
Agricultural commodities.....	-.4	-.5	-.6	-.6	-.5
Food stamps.....	-.*	-.2	-1.5	-1.9	-2.1
Geographical exclusions.....	-.3	-.3	-.4	-.4	-.6
Plus payments for research.....	.8	1.1	1.4	1.1	1.2
All other, net.....	*	-.7	-1.2	-.5	-.3
Federal payments (Census)	11.1	18.1	27.5	33.6	41.7
Less low-rent public housing.....	-.2	-.3	-.5	-.7	-1.0
All other, net.....	.1	*	-.2	*	-.5
Grants-in-aid (national income accounts)	10.9	17.8	26.8	32.9	40.2

* Less than \$50 million.

The only major group of payments which the budget definition of grants excludes but Census and the NIA series include is payments for research conducted by public universities. The budget series excludes these payments 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 series focus on cash payments to State and local governments, they count these as grants. The one major outlay included in the budget and Census definitions but ex-

¹ Special Analysis A of this volume contains additional information on the NIA grant series.

cluded from the NIA series is payments for low-rent public housing, which the NIA count as purchases by the Federal Government rather than as grants.

There are other minor differences in the coverage of the three series. The series also define functions such as health and welfare along different lines.

Table O-7 illustrates the differences among these series, and demonstrates the growing divergence between the budget series and the other two. This divergence is due primarily to the growth of the food stamp program, which increased from \$248 million in 1969 to \$2.8 billion in 1974.

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹
(outlays in millions of dollars)

Agency and program	Functional code	1974 actual	1975 estimate	1976 estimate
National defense:				
Department of Defense—Military:				
Civil defense shelters and financial assistance.....	051	32	40	43
Construction of Army National Guard centers.....	051	33	33	40
Other.....	054	-----	*	-----
Total, national defense.....		64	73	83
International affairs and finance:				
East-West Cultural and Technical Interchange Center.....	153	7	7	9
Total, international affairs and finance.....		7	7	9
Natural resources, environment, and energy:				
Department of Agriculture:				
Watershed planning and flood prevention.....	301	97	88	77
Resource conservation and development.....	302	8	10	11
Forest Service.....	302	26	31	31
Department of Commerce: NOAA.....	306	18	19	17
Department of the Interior:				
Bureau of Land Management (shared revenue)....	302	106	161	196
Bureau of Reclamation.....	301	1	6	4
Office of Water Research and Technology.....	301	7	8	7
Land and water conservation fund.....	303	151	150	160
Fish and Wildlife Service.....	303	54	70	72
National Park Service.....	303	5	10	11
Bureau of Mines.....	306	-----	*	*
Energy Research and Development Administration....	305	5	8	7
Environmental Protection Agency.....	304	1,623	2,429	2,478
Tennessee Valley Authority (shared revenue).....	301	31	37	50
Water Resources Council.....	301	3	5	3
Total, natural resources, environment, and energy.....		2,137	3,031	3,123
Agriculture:				
Animal and Plant Health Inspection Service.....	352	30	35	36
Cooperative State Research Service.....	352	83	96	106
Extension Service.....	352	162	178	185
Commodity Credit Corporation.....	351	234	160	3
Agricultural Marketing Service.....	352	2	2	-----
Total, agriculture.....		511	470	330

See footnotes at end of table.

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹—Con.
(outlays in millions of dollars)

Agency and program	Functional code	1974 actual	1975 estimate	1976 estimate
Commerce and transportation:				
Department of Agriculture: Housing	401	6	12	7
Department of Commerce:				
Minority business development	403	3	3	5
State marine schools	406	*	*	*
Department of Housing and Urban Development:				
Urban transportation	404	1	1	1
Department of Transportation:				
Grants-in-aid for natural gas pipeline safety	407	1	2	2
State boating safety assistance	406	4	6	6
Grants-in-aid for airports	405	243	290	360
Highway beautification	404	23	48	44
Highway trust fund	404	4,361	4,395	4,682
Other highway aid	404	35	49	47
National Highway Traffic Safety Administration	404	93	83	84
Federal Railroad Administration	404	-----	2	15
Urban Mass Transportation Administration	404	348	717	999
Washington Metropolitan Area Transit Authority	404	170	185	182
Total, commerce and transportation		5,288	5,794	6,435
Community and Regional development:				
Funds appropriated to the President:				
Appalachian development	452	286	333	333
Disaster relief	453	107	220	175
Public works acceleration	452	-----	1	1
Department of Agriculture:				
Rural water and waste disposal grants	451	34	50	66
Rural development grants	452	*	6	10
Department of Commerce:				
Economic Development Administration	452	202	217	203
Regional Action Planning Commissions	452	38	37	38
Department of Housing and Urban Development:				
Community development bloc grants	451	-----	225	1,300
Comprehensive planning grants	451	99	107	60
Model cities	451	466	279	229
Open space land	451	80	75	-----
Basic water and sewer	451	136	140	-----
Urban renewal	451	1,205	1,197	1,197
Liquidating programs	451	-----	-----	239
Other	451	44	41	3
Department of the Interior: Bureau of Indian Affairs	452	4	4	3
Joint Federal-State Land Use Planning Commission for Alaska	452	1	1	1
Community Services Administration	451	622	457	347
Total, community and regional development		3,324	3,390	4,204
Education, manpower, and social services:				
Department of Health, Education, and Welfare:				
Elementary and secondary education	501	1,665	1,887	2,189
Indian education	501	10	23	23
School assistance in federally affected areas	501	529	587	170
Emergency school aid	501	202	205	121
Education for the handicapped	501	43	38	55
Occupational, vocational, and adult education	501	569	631	646
Higher education	502	68	40	39
Library resources	503	137	153	108

See footnotes at end of table.

Table O-8. **FEDERAL AID TO STATE AND LOCAL GOVERNMENTS** —Con.
(outlays in millions of dollars)

Agency and program	Functional code	1974 actual	1975 estimate	1976 estimate
Education, manpower, and social services—Continued				
Department of Health, Education, and Welfare—Con.				
Educational development.....	503	197	130	36
Innovative and experimental programs.....	503	-----	-----	6
Assistant Secretary for Education.....	502	-----	10	12
Work incentives.....	504	323	297	296
Social services.....	506	1,471	1,956	1,576
Assistant Secretary for Human Development:				
Child Development.....	501	409	436	465
Rehabilitation services.....	506	831	1,066	1,072
Allied Services.....	506	-----	-----	5
Department of the Interior: Indian education programs.....	501	25	28	28
Department of Labor:				
Comprehensive manpower assistance.....	504	1,137	2,443	2,318
Community service employment for older Americans.....	504	-----	10	-----
Temporary employment assistance.....	504	-----	350	650
Emergency employment assistance.....	504	598	58	-----
Grants for employment services.....	504	60	64	74
Unemployment trust fund (manpower training).....	504	374	450	429
Corporation for Public Broadcasting.....	503	48	62	70
National Foundation on the Arts and the Humanities.....	503	8	17	15
Community Services Administration.....	501	17	4	-----
Total, education, manpower, and social services.....		8,721	10,945	10,404
Health:				
Special Action Office for Drug Abuse Prevention.....	553	6	6	1
Department of Health, Education, and Welfare:				
Health Services Administration.....	551	530	598	527
Center for Disease Control.....	553	51	41	52
Alcohol, Drug Abuse, and Mental Health Administration.....	551	302	491	457
Health Resources Administration.....	552	558	669	580
Medicaid.....	551	5,818	6,589	7,156
Department of the Interior: Mining Enforcement and Safety Administration.....	553	1	1	1
Department of Labor: Occupational Safety and Health Administration.....	553	26	37	43
Total, health.....		7,292	8,431	8,818
Income security:				
Department of Agriculture:				
Agricultural Marketing Service (commodity distribution).....	604	743	479	39
Food stamps.....	604	2,779	3,583	3,535
Child nutrition programs and special milk.....	604	793	1,431	1,644
Food donations.....	604	-----	-----	6
Department of Health, Education, and Welfare:				
Public assistance.....	604	5,423	4,733	4,667
Special benefits for disabled coal miners.....	601	*	-----	-----
Department of Housing and Urban Development (housing payments).....	604	1,116	1,307	1,648
Department of Labor (unemployment insurance).....	603	458	705	646
Total, income security.....		11,311	12,237	12,185

See footnotes at end of table.

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹—Con.
(outlays in millions of dollars)

Agency and program	Functional code	1974 actual	1975 estimate	1976 estimate
Veterans benefits and services:				
Veterans Administration:				
Aid to State homes.....	703	21	25	25
Grants for construction of State nursing homes.....	703	4	5	6
Administrative expenses.....	703	1	1	1
Health manpower.....	703	-----	22	30
Grants for State cemetaries.....	705	-----	-----	5
Total, veterans benefits and services.....		26	53	66
Law enforcement and justice:				
Department of Justice: Law enforcement assistance..	754	637	698	754
Equal Employment Opportunity Commission.....	751	2	2	4
Legal Services Corporation.....	754	-----	42	65
Total, law enforcement and justice.....		639	742	823
General government:				
Department of the Interior:				
Administration of Territories.....	806	17	16	15
Trust Territory of the Pacific Islands.....	806	63	70	92
General Services Administration.....	804	1	-----	-----
Civil Service Commission (intergovernmental personnel assistance).....	806	14	14	15
Total, general government.....		95	100	122
Revenue sharing and general purpose fiscal assistance:				
General revenue sharing.....	851	6, 106	6, 176	6, 301
Federal payment to the District of Columbia (shared revenue).....	852	187	230	254
Forest Service (shared revenue).....	852	115	121	119
Department of Defense: Civil (shared revenue).....	852	3	4	3
Department of the Interior: internal revenue collections for the Virgin Islands (shared revenue).....	852	17	17	18
Department of the Treasury: tax collections for Puerto Rico and the Virgin Islands (shared revenue).....	852	196	329	336
Federal Power Commission (shared revenue).....	852	*	*	*
Total, revenue sharing and general purpose fiscal assistance.....		6, 624	6, 876	7, 030
Allowance for energy tax equilization payments.....		-----	500	2, 000
Total, grants and shared revenues.....		46, 040	52, 649	55, 632

*Less than \$500 thousand.

¹ Grants unless otherwise specified. Excludes loans, which are shown separately in table O-9.

Table O-9. **FEDERAL LOANS TO STATE AND LOCAL GOVERNMENTS**
(in millions of dollars)

Agency and program by function	Disbursements			Net outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Natural resources, environment, and energy:						
Department of the Interior: Reclamation loans.....	14.0	11.1	14.3	11.6	8.4	11.1
Total natural resources, environment and energy.....	14.0	11.1	14.3	11.6	8.4	11.1
Commerce and transportation:						
Department of Transportation:						
Right-of-way revolving fund....	23.0	25.9	41.0	23.0	25.9	41.0
Urban mass transportation.....	-8	-2	-2	-8	-2	-2
Total commerce and transportation.....	22.2	25.7	40.8	22.2	25.7	40.8
Community and regional development:						
Department of Commerce: Economic development assistance.....	5.8	8.0	4.8	5.8	8.0	4.8
Department of Housing and Urban Development:						
Revolving fund (liquidating programs).....	-3.0	-2.2	19.9	-8.3	-6.6	11.4
Urban renewal.....	843.4	900.5	600.0	-83.0	50.0	50.0
Public facility loans.....	24.0	25.0	-----	15.4	16.0	-----
District of Columbia:						
Loans for capital outlay.....	152.0	205.4	247.4	152.0	205.4	247.4
Advances to stadium sinking fund.....	.8	.8	.8	.8	.8	.8
Total community and regional development.....	1,023.0	1,137.6	872.9	82.6	273.6	314.4
Education, manpower, and social services:						
Department of Health, Education, and Welfare:						
Higher education.....	*	.9	.9	*	.9	.9
Higher education facilities.....	3.3	3.2	3.2	-1.9	-1.6	-2.0
Department of Housing and Urban Development: College housing.....	-----	-----	-----	-21.5	-28.2	-35.8
Total education, manpower, and social services.....	3.3	4.1	4.1	-23.4	-28.9	-36.9
Health:						
Medical facilities.....	25.7	66.3	55.0	-2.0	13.3	10.0
Total health.....	25.7	66.3	55.0	-2.0	13.3	10.0
Income security:						
Department of Housing and Urban Development: Low-rent public housing.....	622.7	675.0	650.0	21.0	-----	-----
Total income security.....	622.7	675.0	650.0	21.0	-----	-----

See footnotes at end of table.

Table O-9. **FEDERAL LOANS TO STATE AND LOCAL GOVERNMENTS—Con.**
(in millions of dollars)

Agency and program by function	Disbursements			Net outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
General government:						
Administration of territories.....	2.6	4.0	2.1	2.6	4.0	2.1
Total general government.....	<u>2.6</u>	<u>4.0</u>	<u>2.1</u>	<u>2.6</u>	<u>4.0</u>	<u>2.1</u>
Revenue sharing and general purpose fiscal assistance:						
District of Columbia: Repayable advances.....	.8	40.0	40.0	.8	40.0	40.0
Total revenue sharing and gen- eral purpose fiscal assistance..	<u>.8</u>	<u>40.0</u>	<u>40.0</u>	<u>.8</u>	<u>40.0</u>	<u>40.0</u>
Total.....	1,714.3	1,963.8	1,679.2	115.3	336.1	381.5

* Less than \$500 thousand.

SPECIAL ANALYSIS P

FEDERAL RESEARCH AND DEVELOPMENT PROGRAMS

Total Federal obligations for conduct of research and development (R. & D.) in 1976 will increase by 15% over 1975, and outlays by 11%. Specific amounts for conduct of R. & D. and for related facilities in 1974, 1975, and 1976 are shown in table P-1.

Table P-1. TOTAL FEDERAL FUNDING FOR CONDUCT OF R. & D. AND RELATED FACILITIES (in billions of dollars)

	Obligations			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Conduct of R. & D.	17.4	18.8	21.6	17.5	18.6	20.7
R. & D. facilities.....	.9	1.0	1.0	.7	.9	1.0
Total.....	18.3	19.8	22.6	18.2	19.4	21.7

Specific amounts for each of the broad program areas of R. & D are shown in table P-2.

Table P-2. CONDUCT OF R. & D. BY MAJOR PROGRAM AREA (obligations in billions of dollars)

Program	1974 actual	1975 estimate	1976 estimate
Conduct of R. & D:			
Defense ¹	9.0	9.5	11.4
Space ²	2.5	2.7	2.9
Civilian (other than space).....	5.9	6.6	7.3
Total ³	17.4	18.8	21.6

¹ Includes military related programs of the Energy Research and Development Administration—transferred from the AEC.

² Includes all NASA programs except aeronautical research, space applications (e.g., pollution monitoring, communications, earth observations), energy technology application, and technology utilization, which are classified under civilian programs.

³ These data do not reflect amounts of Federal support for private sector R. & D. through tax expenditures and allowances to defense and space contractors for independent R. & D. Tax expenditures, discussed by Special Analysis F, are estimated to have grown from about \$0.60 billion to \$0.65 billion during the period 1974 to 1976. Independent R. & D. allowances are estimated at approximately \$0.4 billion per year during this same period.

- *Defense.*—Defense R. & D. obligations will increase by 20% for R. & D. efforts in both strategic and tactical weapons systems. Major increases include:
 - further development of strategic weapons systems, including the Trident long range ballistic missile and submarine system and the B-1 strategic bomber; and
 - development of an advanced tactical air combat fighter for the Navy and the Air Force.

- *Space*.—The increase of \$0.2 billion in R. & D. obligations for the space program in 1976 will primarily provide for the buildup in development of the manned space shuttle system which is designed to enhance operational capabilities and reduce costs of space operations in the 1980's and beyond.
- *Civilian*.—While R. & D. funding increases in the civilian area, totaling \$0.8 billion in 1976, will be directed to a number of pressing needs such as food and transportation, the largest increase is for continued orderly acceleration in the energy R. & D. effort.

The 1976 direct energy R. & D. program includes \$1,837 million in obligations and \$1,663 million in outlays for conduct of R. & D. and related facilities. These represent increases of 10% in obligations and 36% in outlays over 1975. The program is designed to accelerate the development of technologies needed to achieve and maintain a capability to utilize more fully domestic energy resources within acceptable environmental and economic costs.

The funds for energy R. & D., shown in table P-3, will support a broadly based and balanced development effort on technologies for energy supply, environmental control, and conservation. In addition to direct energy R. & D., supporting programs will provide essential basic information on materials, techniques, and fundamental processes related to energy development, and on environmental impacts of energy systems.

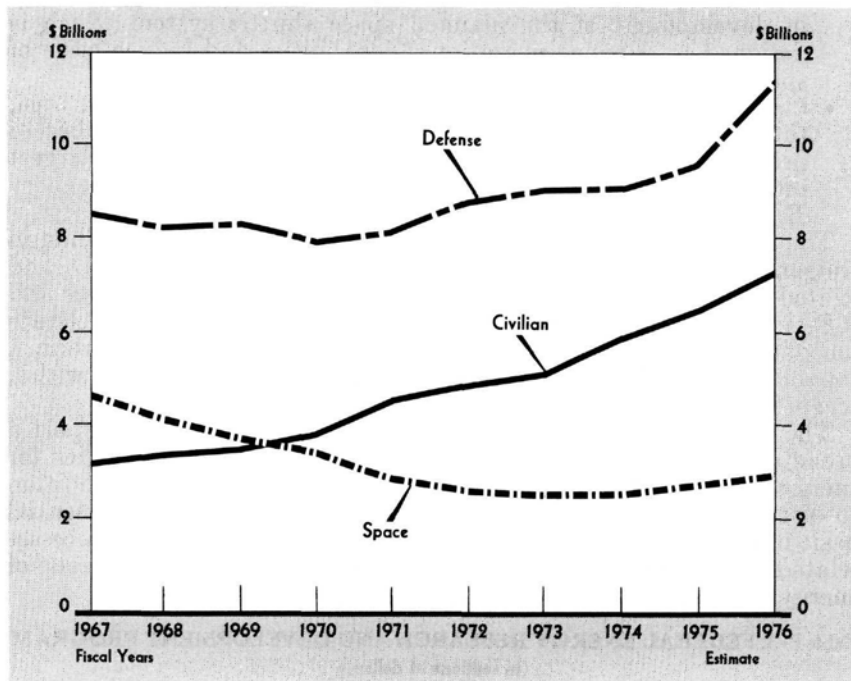
Table P-3. FEDERAL ENERGY RESEARCH AND DEVELOPMENT PROGRAM
(in millions of dollars)

Program area	Obligations			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Direct energy R. & D.:						
Fossil energy.....	110	435	440	90	253	380
Solar and geothermal.....	45	102	123	19	54	116
Conservation.....	39	86	88	27	54	83
Nuclear energy.....	756	942	1,102	629	825	991
Environmental control.....	66	103	83	58	36	94
Total direct.....	1,016	1,669	1,837	823	1,222	1,663
Support program:						
Environmental effects.....	138	264	273	120	173	241
Basic research.....	175	233	250	156	194	211
Total support.....	313	497	523	275	367	452

Longer term trends in Federal support of R. & D. by major program area are reflected in figure P-1.

Conduct of Research and Development—Obligations

P-1



Since 1967, civilian R. & D. programs have received the largest increase in Federal funding, growing from obligations of \$3.3 billion in 1967 to \$7.3 billion in 1976, or 120%. Federal funding for defense related R. & D. has increased by \$2.8 billion or 33% since 1967, while space R. & D. programs decreased by \$1.8 billion or 38%. Thus, the share of the total Federal R. & D. obligations devoted to civilian programs has grown from 20% in 1967 to 34% in 1976.

AGENCY RESEARCH AND DEVELOPMENT PROGRAMS

More than 99% of Federal R. & D. is supported by 14 major departments or agencies. Table P-4 summarizes obligations and outlays for conduct of R. & D. by these agencies.

Table P-4. CONDUCT OF RESEARCH AND DEVELOPMENT BY MAJOR DEPARTMENTS AND AGENCIES

(in millions of dollars)

Department or agency	Obligations			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Defense—Military functions.....	8,396	8,833	10,608	8,791	8,913	9,997
National Aeronautics and Space Administration.....	3,024	3,327	3,526	3,181	3,107	3,390
Energy Research and Development Administration.....	1,475	1,893	2,346	1,475	1,893	2,346
Health, Education, and Welfare.....	2,286	2,092	2,285	1,888	2,176	2,223
National Science Foundation.....	556	619	680	571	573	630
Agriculture.....	384	428	468	377	428	470
Transportation.....	370	368	402	328	372	379
Interior.....	198	303	315	202	259	312
Environmental Protection Agency.....	177	287	300	163	230	304
Commerce.....	181	211	230	177	204	220
Veterans Administration.....	87	102	102	80	96	97
Nuclear Regulatory Commission.....	44	59	96	42	55	88
Housing and Urban Development.....	65	58	65	58	56	61
Justice.....	37	67	45	44	58	45
All other.....	127	135	134	143	155	138
Total.....	17,408	18,780	21,602	17,522	18,575	20,698
Total, conduct of research.....	7,163	7,545	8,256	6,783	7,435	8,188
Total, conduct of development.....	10,245	11,235	13,346	10,739	11,140	12,511

Table P-5 separately aggregates obligations and outlays by major agency for the construction and renovation of facilities used in the conduct of R. & D. and for acquisition of major items of equipment.

Table P-5. RESEARCH AND DEVELOPMENT FACILITIES BY MAJOR DEPARTMENTS AND AGENCIES

(in millions of dollars)

Department or agency	Obligations			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Energy Research and Development Administration.....	485	468	503	350	427	463
Defense—Military functions.....	169	228	225	165	183	238
National Aeronautics and Space Administration.....	98	154	105	75	100	108
National Science Foundation.....	10	17	35	14	14	27
Health, Education, and Welfare.....	46	47	30	33	47	45
Transportation.....	13	25	14	35	28	24
Agriculture.....	9	16	10	6	12	9
Commerce.....	12	10	6	12	9	4
Environmental Protection Agency.....	1	6	2	11	12	5
All other.....	17	30	28	16	27	31
Total facilities.....	860	1,001	959	717	862	955

There is no major change in the overall funding of R. & D. facilities between 1975 and 1976. However, large single facilities or major equipment acquisitions may cause funding fluctuations from year to year for individual agencies. This is true, for example, of the relatively large drop in obligations for NASA in 1976 following the initiation of several large space shuttle R. & D. facilities in 1975 and the relatively major increase for the National Science Foundation in 1976 which includes the one-time procurement of aircraft for the U.S. Antarctic research program.

Facilities and equipment amounts shown in table P-5 for the Department of Defense and NASA are somewhat understated because some items to be funded through R. & D. contracts with industry and other non-Federal institutions are not included. Such items would be included in "conduct of R. & D." in table P-4.

The content and major thrusts of the agency programs are described below.

DEPARTMENT OF DEFENSE—MILITARY

Department of Defense obligations in 1976 for research and development, including construction of R. & D. facilities and the cost of associated military personnel, will increase by \$1,772 million over the 1975 level, reaching a total of \$10,833 million. Obligations for the conduct of research will increase by \$232 million to a level of \$2,011 million, and obligations for development programs will increase by \$1,543 million to a level of \$8,596 million.

The increased funding levels will offset the effects of inflation on development costs of major weapons systems and will permit real increase in R. & D. effort in both strategic and tactical weapons programs. In the strategic area, major increases are provided for the continued development of the Trident long range submarine and missile system and the B-1 strategic bomber. Efforts will also be increased on ballistic missile warhead and accuracy improvements and on options for possible future deployment of a new intercontinental ballistic missile system for silo or mobile basing. The development of a strategic cruise missile system which can be launched from either air or subsurface platforms will continue. In the strategic defensive area, the site defense of Minuteman program will be reoriented to emphasize subsystem development and antiballistic missile technology efforts will be strengthened to guard against technological surprise and to provide future deployment options if they are needed.

In the tactical forces area a major increase is planned for development of an advanced air combat fighter for the Navy and the Air Force. This program is designed to provide a low cost aircraft system to complement the sophisticated and costly aircraft now being deployed by our tactical air forces. Increased efforts are also programmed by the Army for attack and utility helicopters, low altitude air defense missile systems, and counterartillery radars. The Navy will continue to emphasize antisubmarine warfare and fleet air defense missile systems and will increase funding for development of antiradiation missiles. The Air Force will increase development efforts on devices and systems to enhance its capability to penetrate enemy air defenses.

Increases are also provided for research and technology that are necessary for improved systems in the future and for rapid response to changing threats. Lasers, electron device technology, and night

vision technology are areas receiving increased emphasis. Efforts will also be directed toward achieving life cycle cost savings in the development of future military systems.

Table P-6. DEPARTMENT OF DEFENSE—MILITARY RESEARCH AND DEVELOPMENT (obligations in millions of dollars)

Purpose and budget title	1974 actual	1975 estimate	1976 estimate
Conduct of R. & D.:			
Research, development, test, and evaluation:			
Military sciences.....	418	424	476
Aircraft and related equipment.....	1,660	1,621	2,114
Missiles and related equipment.....	2,071	2,126	2,477
Military astronautics and related equipment.....	585	524	622
Ships, small craft, and related equipment.....	648	668	664
Ordnance, combat vehicles, and related equipment.....	418	469	564
Other equipment.....	1,612	1,852	2,186
Programwide management and support.....	584	719	1,072
Other appropriations.....	401	430	432
Total conduct of R. & D.	8,396	8,833	10,608
Total conduct of research, included above	1,780	1,780	2,011
Total conduct of development, included above	6,616	7,053	8,596
R. & D. facilities.....	169	228	226
Total	8,565	9,061	10,833

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The 1976 NASA budget—classified entirely as research and development provides for continuing programs in manned space flight, space science, space applications, and aeronautics. The increase in 1976 obligations of \$200 million for conduct of R. & D. reflects the orderly buildup in the development and production of prototype space shuttles designed to provide for economical manned access to space in the 1980's.

In manned space flight, the next mission will be the Apollo-Soyuz test project to rendezvous and dock U.S. and U.S.S.R. spacecraft in 1975, and then the Space Shuttle is planned for initial orbital flight in 1979. Today the United States relies on expendable rockets to launch Earth orbiting and planetary spacecraft. The shuttle will reduce the cost of operations in Earth orbit in the 1980's and beyond because it is reusable and can recover satellites for repair and reuse.

The space science programs emphasize the exploration of the solar system and the universe using unmanned spacecraft. Two Pioneer spacecraft recently completed the first photographic examination of the planet Jupiter. Preparations continue on two Viking unmanned orbiter/lander spacecraft scheduled for launch to Mars in 1975 and to start the search for life on that planet in July 1976. Two Mariner spacecraft are being developed for the Jupiter-Saturn flyby missions scheduled for launch in 1977. An orbiter and probe spacecraft are being developed to be launched to Venus in 1978 to initiate atmospheric investigation of that heavenly body.

In addition to these planetary missions, development will continue in 1976 on spacecraft to conduct high energy and ultraviolet astronomy from earth orbit. The major astronomy emphasis is on the High Energy Astronomy Observatories to be launched during 1977-79 to study X-ray, and gamma-ray sources in the Earth's galaxy and distant parts of the universe.

In the space applications program, NASA is launching, early in 1975, a second Earth resources technology satellite (LANDSAT) to continue experiments on the utility of space gathered information for agricultural, geologic, and other applications. Funds also are provided in the 1976 budget for a third Earth resources technology satellite. Development is proceeding on a new generation of satellites, Tiros-N, to provide major improvements in weather forecasting, the first of which will be launched in 1977. Work is continuing on a spacecraft, Heat Capacity Mapping Mission, to be launched in 1977 to locate and map potential sources of geothermal energy. A new satellite, Nimbus-G, is being developed for launch in 1978 to demonstrate the capability of monitoring worldwide pollution from space. An additional satellite, Seasat-A, is being developed to be orbited in 1978 to monitor ocean conditions.

Aeronautical research and technology will continue to emphasize ways to reduce engine noise of existing aircraft and to improve the performance, reduce the energy requirements, and mitigate undesirable environmental effects of civil and military aircraft. Work will continue on clean, quiet, efficient propulsion systems for short takeoff and landing aircraft.

Table P-7. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—RESEARCH AND DEVELOPMENT (in millions of dollars)

Program and type of activity	1974 actual	1975 estimate	1976 estimate
Conduct of R. & D.:			
Manned space flight.....	1,000	1,110	1,415
Space sciences.....	650	535	571
Space applications.....	175	182	187
Space and nuclear research and technology.....	66	71	75
Aeronautical research and technology.....	168	166	175
Energy programs.....	---	4	6
Supporting activities.....	252	254	250
Research and program management.....	744	765	776
Total conduct of R. & D. budget plan.....	3,055	3,089	3,454
R. & D. facilities, budget plan.....	101	143	85
Total budget plan.....	3,156	3,231	3,539
Conduct of research, obligations.....	1,458	1,622	1,717
Conduct of development, obligations.....	1,566	1,705	1,810
Total conduct of R. & D., obligations.....	3,024	3,327	3,526
R. & D. facilities, obligations.....	98	154	105
Total obligations.....	3,122	3,481	3,631

Funds are also provided in the 1976 budget to develop new technology for future missions in space science and applications. The areas of emphasis include improved materials, structures, propulsion, electric power sources, communications and data handling systems.

ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

Obligations of the Energy Research and Development Administration for conduct of R. & D. will increase from \$1,893 million in 1975 to \$2,346 in 1976, and obligations for related construction and equipment will total \$503 million in 1976. The 1976 budget reflects increased emphasis on energy R. & D. while maintaining continued support for military R. & D. and other basic and applied research programs.

In fossil energy development, high priority will continue to be given to coal liquefaction, gasification, and advanced combustion processes in order to produce clean and efficient energy from coal. Increased funds are provided for the development of the means for producing oil and gas from shale in its underground location, thus eliminating the environmental problems associated with above-ground processing. Efforts will continue on developing technologies for enhanced recovery of oil and gas. Increases also are provided for research on basic coal science, on advanced processes for clean gaseous and liquid fuels, on materials for gasification and liquefaction processes, and on the basic properties of hydrocarbons.

In solar energy, an accelerated research program will be conducted to establish the economic viability of several important solar applications such as the heating and cooling of buildings, and wind energy conversion. In geothermal energy, efforts will be continued to develop the technological base necessary to stimulate the installation of substantial electricity generating capacity by the middle of the next decade. In advanced energy systems, investigations will be conducted to improve the efficiency of electric generating plants through the use of magnetohydrodynamics and other advanced power conversion technologies.

Energy conservation R. & D. will be conducted to improve the efficiency of electric power transmission, automotive power, and storage systems. End-use energy conservation studies will be initiated to develop new technologies for reducing the utilization of energy particularly in commercial and residential buildings.

In nuclear energy, greater support is provided for the development of fusion power technology which has the long-range potential advantages of plentiful and inexpensive fuel, inherent safety against nuclear runaway, and minimal environmental impact. In fission reactor development, additional support is provided for the liquid metal fast breeder reactor. Work on this fission technology will be increasingly oriented to the engineering requirements necessary to achieve highly reliable, safe, and economic breeder powerplants. In addition, efforts will be initiated on advanced light water breeder applications as well as continuing R. & D. on gas cooled and molten salt breeder reactor concepts. Increased support also is provided for nuclear materials production technology to provide for process improvements to assure efficient and safe operations and to develop more economical methods

of nuclear materials production. Additional funds are provided for advanced isotope separation technology which has the potential to reduce the cost of isotopically enriched materials.

In national security, funds will be increased to continue the development and testing of nuclear weapons as well as development of laser fusion technology which has both military and commercial power applications. In environmental and safety research, increased support is provided for the study of nuclear and fossil energy environmental effects, developmental work on long-term management of radioactive wastes, transportation methods and packaging of radioactive materials.

Basic and applied research programs will be expanded by \$205 million over 1975. Increased funding will be devoted to biomedical and environmental studies of the effects of energy production on living systems; investigations in the physical sciences; and research related to weapons technology and detection techniques.

Table P-8. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION—RESEARCH AND DEVELOPMENT (obligations in millions of dollars)

Program and type of activity	1974 actual	1975 estimate	1976 estimate
Conduct of R. & D.:			
Fossil energy development:			
Coal utilization.....	70	188	289
Petroleum and natural gas.....	8	17	23
Oil shale.....	3	3	8
Solar, geothermal, and advanced energy systems development:			
Solar energy.....	4	9	57
Geothermal energy.....	6	14	28
Advanced energy systems.....	4	12	23
Physical research.....	253	281	313
Conservation:			
Electric power transmission.....	2	6	12
Fuel economy.....	3	10	17
End-use conservation.....			3
Nuclear energy development:			
Fusion power.....	53	85	120
Fission power.....	272	370	409
Naval reactor development.....	154	167	186
Space nuclear systems.....	26	27	31
Nuclear materials.....	45	51	65
Advanced isotope separation techniques.....	3	12	24
National security:			
Weapons activities.....	412	443	495
Laser fusion.....	37	41	54
Nuclear materials security.....	4	6	11
Environmental and safety research:			
Biomedical and environmental research.....	104	130	153
Waste management and transportation.....	12	20	25
Total conduct of R. & D.	1,475	1,893	2,346
Total conduct of research, included above	470	594	799
Total conduct of development, included above	1,005	1,299	1,547
Research and development facilities.....	485	468	503
Total	1,960	2,360	2,849

The ERDA budget for construction of R. & D. facilities in 1976 provides for obligations of \$503 million. Included are \$103 million for initial site preparation and for long lead time hardware procurement associated with the Clinch River breeder reactor demonstration program; \$81 million for continued construction of the fast flux test facility in support of the liquid metal fast breeder reactor program; \$20 million for design and long-lead procurement for a clean boiler fuel demonstration plant; \$10 million for continued construction of a high energy laser facility; \$12 million to complete construction of the heavy ion research facilities in support of the physical research program; and \$8 million to start the design and construction of a Tokamak magnetic fusion test reactor for the fusion power research and development program.

HEALTH, EDUCATION, AND WELFARE

Department of Health, Education, and Welfare (HEW) obligations in 1976 for the conduct of research and development will increase by \$193 million over the 1975 level, reaching a total of \$2,285 million. Obligations for facilities will be \$30 million in 1976.

The largest share of the Department's R. & D. funds are devoted to the biomedical area where, through the National Institutes of Health (NIH), the Federal Government continues to provide almost two-thirds of all U.S. R. & D. funds. R. & D. obligations by NIH for 1976 will increase by \$73 million from \$1,548 million in 1975 to \$1,621 million in 1976. The funds will support research on diseases affecting human health, including cancer, heart, and lung diseases, sickle cell anemia, aging, and venereal disease. Through other HEW components, preventive health care research is being pursued by investigation into infant and child health, new approaches to drug abuse treatment, new pharmacological agents for the treatment and prevention of addiction and on the general epidemiology of the drug problem; new ways to treat, control, and prevent alcohol abuse; basic and chemical research on the multiple causes of alcoholism; and development of new knowledge and approaches to the causes, diagnosis, treatment and prevention of mental illness. Additional health services research and development is being pursued through funding of demonstrations of health maintenance organizations, family planning, and emergency medical systems.

The Office of Education is expanding innovation and development activities in the areas of vocational education and education of the handicapped. The National Institute for Education supports research in the areas of equality of education, essential skills education, education and work, dissemination of research information, and school finance, productivity, organization and management.

Social services research will investigate the causes and possible means of remedying poverty, the results of various income maintenance efforts, redistributive effects of social security benefits, and the effects of various methods of health insurance financing on economic security.

Table P-6 exhibits the departmental obligations and outlays by agency.

Table P-9. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—
RESEARCH AND DEVELOPMENT (in millions of dollars)

Program areas and organizational units	Obligations			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Conduct of R. & D.:						
Health, total.....	2,046	1,836	1,897	1,640	1,911	1,896
National Institutes of Health.....	1,730	1,548	1,621	1,389	1,636	1,622
Alcohol, Drug Abuse, and Mental Health Administration.....	155	123	122	127	135	128
Food and Drug Administration....	44	46	52	20	22	25
Center for Disease Control.....	41	39	45	36	41	44
Health Resources Administration..	56	52	31	43	53	53
Assistant Secretary for Health....	9	14	15	11	10	13
Health Services Administration....	12	13	12	12	13	12
Education, total.....	130	120	255	161	137	193
Office of Education.....	54	49	175	64	55	108
National Institute of Education....	76	70	80	97	82	84
Welfare, total.....	110	136	133	88	128	135
Office of Human Development.....	70	62	62	64	68	63
Social Security Administration.....	19	33	30	19	33	30
Office of the Secretary.....	19	29	29	2	19	32
Social and Rehabilitation Service....	2	12	13	3	8	11
Total conduct of R. & D.	2,286	2,092	2,285	1,888	2,176	2,223
Conduct of research, included above.....	1,872	1,700	1,752	1,516	1,776	1,752
Conduct of development, in- cluded above.....	414	392	533	372	400	472
R. & D. facilities.....	46	47	30	33	47	45
Total.....	2,332	2,139	2,316	1,921	2,223	2,268

NATIONAL SCIENCE FOUNDATION

National Science Foundation obligations for R. & D. will increase from \$619 million in 1975 to \$680 million in 1976. In addition, \$35 million will be obligated for facilities in 1976, an increase of \$18 million over 1975. A higher level of support for basic science and for research on selected domestic problems will be provided.

Basic science support will be increased by 13% concentrating especially in those disciplines which relate most directly to long-term energy development and economic growth, and those which have experienced declining support in mission agencies, e.g., physical and engineering sciences.

Under its national and special research programs and national research centers, the Foundation supports large national facilities such as the National Center for Atmospheric Research, four national astronomy centers, and the academic oceanographic fleet and also supports integrated research efforts such as the International Decade of Ocean Exploration and the Antarctic Research Program. These national and international programs will continue to emphasize research to improve understanding of the physical environment (earth, atmospheric, and oceanic species) as a means to improve management of the environment.

The \$18 million in increased support for facilities will be used to procure two ski-equipped aircraft for the U.S. Antarctic program.

DEPARTMENT OF AGRICULTURE

Obligations of the Department of Agriculture for the conduct of research and development will increase from \$428 million in 1975 to \$468 million in 1976. Obligations for facilities will be \$10 million. The major thrust of the Department's R. & D. effort will be toward agricultural productivity: Improving the efficiency of meat animal production; developing improved forage and rangeland to reduce the use of grains in red meat production; developing additional vegetable grains in red meat production; developing additional vegetable sources of useable proteins; reducing genetic vulnerability to crop diseases; and reducing food losses during transportation, storage and marketing.

Increased emphasis also will be placed on protection of soil, water and forest resources; and increasing the efficiency of energy use in the agricultural sector of the economy. Environmental research will include the further development of nonchemical means for controlling agricultural pests, and the development of information required for the clearance of agricultural pesticides for use in cooperation with the Environmental Protection Agency.

The Department of Agriculture, in cooperation with State and private research organizations, will develop a national system designed to improve coordination in the planning, financing, and evaluation of agricultural research. The goal of such a system will be to increase the overall efficiency and effectiveness of agricultural research. In addition, new efforts will be made to improve the ability to forecast agricultural trends to aid in production, marketing, and price setting decisions. This will include developing methods for obtaining improved data on the agricultural input, food processing and food marketing industries, an economic analysis of alternative methods of predator control, and an expanded survey of forest resources to implement the recently enacted Forest and Rangeland Renewable Resources Planning Act. Current information also will be obtained on the nutritional status and requirements of the American public through the implementation of a nationwide food consumption survey.

DEPARTMENT OF TRANSPORTATION

Obligations of the Department of Transportation for the conduct of research and development will be \$368 million for 1975 and \$402 million for 1976. Obligations for related facilities will be \$14 million for 1976. Increased emphasis will be placed on socioeconomic aspects of the Nation's transportation requirements and the achievement of solutions for today's problems. More efficient utilization of existing systems is an increasingly important goal—including cost reduction, energy conservation, environmental protection, improved safety, and reduced travel times.

Urban mass transportation R. & D. will demonstrate improved higher capacity, quieter, and lower polluting transit buses and continue development of advanced rail and personal rapid transit technology. Transit service and methods demonstrations will encourage low-cost service innovations and regulatory actions to improve the use of the current urban transportation systems. Expanded support will be provided for innovative tunneling R. & D. particularly for use in urban areas.

Highway research and development funding will continue to strengthen cooperative programs with State governments to increase highway and pedestrian safety, reduce the high costs of highway construction and maintenance, increase the capacity of highways and roadways through improved traffic management techniques, and to reduce undesirable environmental effects of highway structures. Highway traffic safety research will emphasize accident investigation and data analysis and will support the setting of Federal safety standards leading to improved vehicle occupant protection, the reduction of drug and alcohol related accidents, and the improvement of driver performance.

Railroad research will emphasize improved rail freight and passenger services, as well as rail safety. The intermodal program to integrate highway and rail freight systems is being expanded, to demonstrate the potential reduction in time and cost of freight service from origin to destination. The tracked levitated vehicle program is being terminated in 1975, reflecting a greater emphasis on improvements to existing technology and associated infrastructure.

Air transportation research provides for continued upgrading of the air traffic control system and for increasing airport and airway capacity through improved surveillance, communication and landing aid development, and increased automation of the air traffic function. The increased research funding level will permit the development of air traffic control equipment and systems needed to operate the air transportation networks of the 1980's. Also emphasized are aviation safety and aircraft noise and pollution abatement activities.

Coast Guard R. & D. will continue to stress maritime pollution control systems development, all weather harbor traffic monitoring, improved aids to navigation, and programs to improve safety at sea, including commercial vessel and recreational boating safety.

DEPARTMENT OF THE INTERIOR

Obligations for the Department of the Interior for conduct of research and development will show a net increase from \$303 million in 1975 to \$315 million in 1976.

The Department's R. & D. activities derive from a broad range of responsibilities for encouraging wise development of the Nation's energy and nonenergy mineral, water, land, and recreation resources, and for managing those resources on the public lands in the public interest.

Research programs are conducted to provide an accurate appraisal of the Nation's mineral resources, including new or improved methods, and techniques and instruments for mineral exploration on land on submerged continental margins. Basic information is developed on

geologic principles and processes relating to terrain conditions and causes of earthquakes. An extensive program of investigation of new technologies for surface and underground mining is designed to lead to improvements in productivity and in mine health and safety and to reduction in the environmental impact of mining. Research on extraction, processing, and use of nonenergy minerals will help to assure an adequate supply of raw materials to meet expanding national needs.

Land use problems, the quality of the physical environment, and the efficient allocation and conservation of scarce water and water-related resources will be studied. Special attention will be accorded studies directed toward better understanding of basic principles of hydrology necessary for the appraisal and evaluation of the Nation's water resources, including the effects of underground waste storage, for improving the quantity and quality of water for municipal and industrial uses, and for augmenting water supply by precipitation management, water salvage and improved water methods.

Research is conducted to improve the management of habitat on Federal lands to protect fish and wildlife resources. Studies also support the direct management of fisheries and migratory birds. These studies include population dynamics, bird banding, fish disease prevention and control, and restoration of endangered species.

Many of these programs have at least an ancillary objective of environmental protection. Energy related research of the Bureau of Land Management and the Fish and Wildlife Service, for example, includes extensive environmental baseline data collection and monitoring activities as a necessary background to understanding potential impacts of energy development on the environment, and as a basis for managing resource programs on the public lands so as to minimize environmental impact.

DEPARTMENT OF COMMERCE

Department of Commerce obligations for the conduct of research and development will increase by \$19 million in 1976, from \$211 million in 1975 to \$230 million in 1976. Obligations for related facilities will be \$6 million in 1976. Increases are provided for the research and development programs of the National Oceanic and Atmospheric Administration (NOAA), the National Fire Prevention and Control Administration, and the National Bureau of Standards.

The principal objectives of the research and development programs in the Department of Commerce are to continue to improve the Nation's environmental prediction and warning capabilities, develop technology to improve the competitive position of the U.S. maritime industry, and encourage advancement of science and technology through improved measurements and standards.

In 1976, NOAA will continue research to help reduce loss of life and property from natural disasters by improving the detection and tracking of weather systems and violent storms, and by extending the forecasting and data gathering programs. In the marine sciences, NOAA will conduct research aimed at the conservation and management of commercial fisheries in the United States. NOAA will also continue research programs in marine ecosystems analysis.

The National Fire Prevention and Control Administration will conduct research to reduce the loss of life and property from fires and will provide the essential technical knowledge on which new and improved fire prevention efforts can be based.

The National Bureau of Standards will continue research aimed at development and maintenance of the Nation's physical measurements and standards, providing necessary support for the advancement of science and technology and for productivity enhancement. Special emphasis will be placed on measurements and standards needed for environmental pollution, improved use of materials, and improved Federal application of computers. The computer program will be increased in the areas of computer security and standards.

The Maritime Administration will continue to assist the U.S. maritime industry to develop the technology necessary to improve its international competitive position. The emphasis in 1976 will be on improvements in ship-building methods and equipment, and development of shipping operations information systems.

ENVIRONMENTAL PROTECTION AGENCY

Obligations of the Environmental Protection Agency (EPA) for conduct of research and development will increase from \$287 million to \$300 million in 1976. Obligations for facilities will be \$2 million in 1976.

EPA supports R. & D. to determine the sources and effects of pollution and to develop and test pollution control technologies. The overall objective is to provide the scientific basis for standards development and effective control strategies and to identify and evaluate long-range environmental problems. Efforts are directed specifically to problems of air and water pollution control, water supply protection, solid and toxic waste management, pesticides control, radiation protection, noise abatement, energy development, and interdisciplinary studies.

The air program seeks to develop predictive models of pollutant emission, transport, transformation, and removal, and to verify these models by actual measurement. In 1976, information on health effects of selected pollutants and catalytic-related emissions will be obtained. Work will continue on prototype demonstrations of processes for control of nitrogen oxide emissions.

In the water program, increased attention will be given to demonstration of control technologies capable of reducing the capital and operating costs of municipal waste treatment, investigation of the health effects of land disposal of sludge, development of criteria for ocean dumping and outfalls, and evaluation of the cost and technical feasibility of specific nonpoint control measures designed to deal with agricultural runoff. Additional effort also will be given to development of more cost effective technologies suitable for small water supply systems, and a survey on the nature and toxicity of organic and inorganic contaminants and pathogenic organisms present in treated wastewater.

The energy-related research effort will be increased to (1) determine environmental effects (and hence the control requirements) associated with energy resource extraction, transmission, conversion and use, (2) identify, develop and demonstrate necessary control

techniques based on the source effluent and ambient pollutant control requirements, and (3) evaluate the environmental, economic, and social consequences of alternative control strategies for energy systems as input to EPA policy formulation.

RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES

A portion of the funds discussed above will be committed by the agencies to colleges and universities to perform R. & D. to assist in achieving agency missions. As shown in table P-10, the 1976 budget will provide \$2,254 million obligations for this purpose as contrasted with \$2,147 million in 1975.

Table P-10. **RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES**¹ (in millions of dollars)

Department or agency	Obligations			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Health, Education, and Welfare.....	1,238	1,058	1,088	1,058	1,171	1,148
National Science Foundation.....	422	452	487	434	418	460
Department of Defense—Military....	186	197	213	187	197	209
Agriculture.....	95	106	118	92	102	113
Energy Research and Development Administration.....	92	106	116	92	106	116
National Aeronautics and Space Ad- ministration.....	99	90	86	99	99	95
All Others.....	125	139	146	106	130	137
Total.....	2,259	2,147	2,254	2,067	2,224	2,278

¹ Amounts reported in this table are included in totals for conduct of R. & D. in previous tables.

Federal funds are expected to continue to furnish the largest source (more than half) of the total support for university research and development activities. The funds assist in supporting faculty investigators and provide valuable experience and training for graduate students through employment on R. & D. projects.

SPECIAL ANALYSIS Q
FEDERAL ENVIRONMENTAL PROGRAMS

INTRODUCTION

\$6.5 billion in outlays on environmental programs has been initiated by 19 agencies and departments within the Federal Government in 1975 and \$6.9 billion is expected to be spent in 1976. Although these programs span a wide spectrum of activities; ranging from basic ecological research to abatement of pollution from Federal facilities, all Federal expenditures on the environment can be classified in one of three broad categories: Pollution control and abatement; understanding, describing, and predicting the environment; and environmental protection and enhancement activities. The distribution of outlays by the Federal Government on these three categories of activity are displayed in chart Q-1, and summarized by type of spending for 1976 in the following schedule:

1976 BUDGET AUTHORITY AND OUTLAYS—FEDERAL ENVIRONMENTAL PROGRAMS

[In millions of dollars]

	<i>Authority</i>	<i>Outlays</i>
Protection and enhancement.....	1,036.4	1,069.5
Understanding, describing, and predicting.....	1,379.1	1,309.3
Pollution control and abatement.....	1,933.2	2,102.3
Construction grants.....	(¹)	2,439.6
Total.....	4,348.7	6,920.7

¹ Contract authority for the Environmental Protection Agency's 1976 sewage facility grant program is included as 1975 budget authority since it is allocated and available for obligation in 1975

It should also be noted that Federal expenditures, unlike those of the private sector, can occur either as an outlay by a Federal agency for services rendered to itself (in-house activities) or as a transfer (grant) to States or local governments which, as the ultimate distributors of those funds are also rendered the services.

The distinctions between direct Federal expenditures and those transferred to State and local governments are summarized by type of spending for 1976 in the following table:

1976 FEDERAL OUTLAYS FOR ENVIRONMENTAL PROGRAMS

[In millions of dollars]

	<i>Outlays</i>	
	<i>Direct</i>	<i>Transfer</i>
Enhancement.....	659.5	410.0
Understanding, describing, and predicting.....	1,309.3	(¹)
Pollution abatement (excluding construction grants).....	1,789.9	312.4
Construction grants.....	(¹)	2,439.6
Total.....	3,758.7	3,162.0

¹ Not applicable.

POLLUTION CONTROL AND ABATEMENT ACTIVITIES

The largest portion (66.0%) of Federal outlays expended on the environment occur for purposes of cleaning up the environment and preventing further deterioration. In 1976, outlays are estimated to be \$4,541.9 million.

POLLUTION CONTROL AND ABATEMENT EXPENDITURES
(INCLUDING CONSTRUCTION GRANTS)

[In millions of dollars]

	<i>1974 actual</i>	<i>1975 estimate</i>	<i>1976 estimate</i>
Budget authority.....	6,894.8	5,245.0	¹ 1,933.2
Outlays.....	2,974.2	4,212.5	4,541.9

¹ See footnote at bottom of Table Q-1.

Within the pollution abatement and control category there are three primary areas of direct Federal activity—direct action to reduce pollution from Federal facilities, establishing and enforcing standards, and actions designed to research and develop technology and procedures to abate pollution as well as to identify the nature and sources of those pollutants.

Two additional types of activity occur under the category pollution abatement and control. They are the allocation of substantial funds to State and local governments under financial assistance programs

and a small amount of funding for manpower development. Table Q-1 reflects these five major activities.

Table Q-1. POLLUTION CONTROL AND ABATEMENT ACTIVITIES BY FUNCTION (in millions of dollars)

Type of activity	Budget authority			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Financial aid to State, interstate, and local governments.....	5,644.8	3,718.6	¹ 226.1	1,867.2	2,698.7	2,752.0
Research and development.....	506.2	713.4	710.4	414.5	581.3	683.6
Standard setting and enforce- ment.....	312.5	371.5	433.9	303.7	368.4	416.5
Reduce pollution from Federal facilities.....	337.2	343.6	415.4	300.6	469.3	570.7
Manpower development.....	11.5	10.7	17.4	9.5	10.3	13.4
Other.....	82.6	87.2	130.0	78.7	84.5	105.7
Total.....	6,894.8	5,245.0	1,933.2	2,974.2	4,212.5	4,541.9

¹ Contract authority for the Environmental Protection Agency's sewage facility grant program is included as 1975 budget authority since it is allocated and available for obligation in 1975. It therefore appears in columns for budget authority for that year instead of the 1976 column.

Activities involved.—*Financial aid.*—A substantial portion of 1976 Federal outlays in the financial aid category will be directed toward the construction of sewage treatment facilities. Of the \$2,752.0 million in outlays, \$2,439.6 million will be expended on the construction of these plants. These grant funds cover 75% of the eligible costs of these projects. Also included in this activity are funds made available to State, regional, and local agencies to help support their air and water pollution control programs. Outlays of \$312.4 million will be generated in 1976 to provide financial assistance for such objectives as implementing the national primary and secondary ambient air quality monitoring systems, emission inventories, plans for effective enforcement of standards, transportation control plan development, and air pollution emergency plans.

Research, development, and demonstration.—Table Q-1 indicates that outlays on research and development will increase from \$581.3 million in 1975 to \$683.6 million in 1976.

The research and development outlay figures include both primary and secondary activities. Primary refers to a research activity which has pollution control and abatement as its sole purpose; whereas secondary refers to a research activity which contributes to pollution abatement but which has some other primary purpose; for example, research on fish or animal migrations. Research and development activities begin with efforts directed toward identifying pollutants determining their sources and establishing their effects on the environment in general. Research on pollution control technology provides the next step in the research process. Once the sources and effects of dangerous pollutants have been identified, research efforts are shifted to the development of devices and techniques for removing emitted pollutants (retrofit devices) or reducing the initial generation of those pollutants (in-process changes). Health effects research is then initiated to determine the hazardous levels of pollutants on human beings.

The specific result of this research effort is the establishment of air, water, and hazardous waste emission standards.

Monitoring research follows, and is primarily concerned with the development of devices and techniques for monitoring point source emissions and the ambient quality of the air and water. Since much research effort in the private sector is devoted to the development of monitoring equipment, research efforts within the Federal Government have generally emphasized monitoring techniques and sampling procedures.

In addition, water quality research will continue with the development of criteria for protection of marine and fresh water fish and other aquatic life. Air quality research and development efforts will concentrate on the effects of pollution through field investigations, regional air pollution models, and 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 the development of clean fuels.

Standard setting and enforcement.—Table Q-1 shows that outlays for standard setting and enforcement will increase from \$368.4 million in 1975 to \$416.5 million in 1976. Standard setting and enforcement includes a wide range of activities related to the regulatory efforts of the Federal Government in the area of pollution abatement, but primary emphasis is placed on monitoring, surveillance, standard setting, and enforcement.

Monitoring and surveillance actions refer to Federal agency efforts related to the monitoring of discharged pollutants from point sources and the testing of ambient levels of pollutants, respectively. The accumulated monitoring data is then linked to Federal efforts to develop and review new or existing standards and to the enforcement of those Federal standards. It should be noted that grants to air and water control agencies which have standard setting and enforcement responsibilities are included in the financial assistance data presented in table Q-1.

Pollution abatement from Federal facilities.—Federal agencies are actively involved in activities to control pollution from their facilities.¹ Outlays for these and other activities to reduce pollution from Federal facilities will increase from \$469.3 million in 1975 to \$570.7 million in 1976. In general, outlays for pollution abatement from Federal facilities refer to remedial actions, process changes, fuel switching, and their related operating costs.

Remedial actions refer to the placement of retrofit devices on existing facilities or facilities under construction. Retrofit devices treat pollutants after their generation only and are separately identifiable abatement technologies such as dust collectors, electrostatic precipitators, or treatment plants.

Outlays on process changes refer to incremental expenditures for structures or equipment due to the incorporation of pollution abatement features. These process changes reduce or eliminate pollutant emissions by employing material substitution, reuse of waste or water,

¹ Outlays are for facilities or properties which are either owned or leased by the Federal Government and reflect expenditures on existing facilities, additions to existing facilities or new facilities.

and equipment or production process alterations. Outlays for fuel switching include the increased costs for fuel and power incurred to reduce pollution (e.g., low sulfur fuel, or increased fuel or power consumption to operate retrofit devices). Operating costs include the costs of cleaning, servicing, and monitoring remedial or process change devices.

Remedial actions continue to be the dominant activity for reducing pollution from Federal facilities (85%). Special attention is currently being given to the construction, or modification, of waste treatment plants, stack gas cleaning on Federal power facilities and joint projects with State and local governments for the disposal of solid or liquid waste. However, as standards become more clearly defined and as technological know-how increases, the use of remedial actions will drop relative to process changes.

Manpower development.—Outlays for manpower development programs refer to in-house training activities, and fellowships, traineeships, and training grants.

Pollution abatement by media.—Table Q-2 expresses the Nation's funding for pollution control and abatement by media polluted. Due to grants and loans for the construction of waste treatment plants, water receives the largest share of total Federal pollution control obligations (74.0%). Included in the funding for pollution control and abatement in table Q-2 are activities which directly contribute to the reduction of pollution. Activities which may ultimately lead to abatement and control but are carried on for some other purpose are excluded.

Table Q-2. POLLUTION CONTROL AND ABATEMENT ACTIVITIES BY MEDIA OR POLLUTANT (in millions of dollars)

Media or pollutant	Outlays 1974 actual	Obligations		
		1974 actual	1975 estimate	1976 estimate
Media polluted:				
Water:				
Construction grants or loans.....	1,825.6	2,965.0	4,495.9	5,411.5
Other.....	444.6	499.8	638.3	643.5
Air.....	328.4	490.1	636.0	531.3
Land.....	34.3	40.4	46.4	70.3
Other (e.g., living things, materials).....	198.4	190.6	359.1	393.4
Multimedia (i.e., more than one of above).....	142.9	146.7	194.6	256.7
Total.....	2,974.2	4,332.6	6,370.3	7,306.7
Selected pollutants:¹				
Solid wastes.....	252.5	109.4	130.2	119.7
Pesticides.....	55.6	64.2	72.9	83.0
Radiation.....	118.8	121.4	160.5	192.5
Noise.....	32.3	60.8	57.0	69.9

¹ Funds for selected pollutants are included in "media" distribution above.

Air and water (other than construction grants) pollution programs include research and development, grants to State and local government control agencies and direct Federal operations, such as monitoring, standard setting, enforcement, and reducing pollution from Federal facilities.

Activities relating to the abatement of pollution on land are for research and other studies or demonstration projects concerned with the effects of acid mine drainage, nutrients and pesticides and solid waste disposal. Federal efforts for those selected pollutants shown in table Q-2 are primarily directed toward research relating to effects, control technology, standard setting, and enforcement.

Pollution control and abatement by agency.—Table Q-3, like table Q-1, shows total Federal funding for pollution abatement and control, but broken down by agency rather than by function. Sixteen agencies reported budget authority and outlays for this category of environmental expenditures for 1976.

Table Q-3. POLLUTION CONTROL AND ABATEMENT ACTIVITIES—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Environmental Protection Agency.....	5,962.6	4,245.8	1,742.8	2,032.0	2,936.6	3,079.5
Defense—Military.....	308.1	325.6	421.1	231.4	309.0	390.6
Energy Research and Development Administration.....	131.2	187.5	236.2	104.0	150.9	184.9
Transportation.....	91.6	88.1	96.7	58.8	79.3	98.9
Agriculture.....	124.9	104.7	118.7	123.1	171.9	166.2
Defense—Civil.....	8.6	10.3	10.0	8.6	10.3	10.0
Interior.....	48.0	56.4	65.6	41.1	50.8	57.9
Commerce.....	66.6	49.8	46.1	58.1	53.1	48.8
National Aeronautics and Space Administration.....	67.8	65.2	65.1	22.9	55.3	65.9
National Science Foundation....	13.4	16.8	13.0	14.3	14.7	15.0
Housing and Urban Development.....	8.4	9.7	10.1	² 154.8	157.5	148.0
Tennessee Valley Authority....	3.3	3.4	3.2	³ 62.1	141.5	171.0
Nuclear Regulatory Commission	54.3	68.7	91.7	54.1	68.7	91.7
Other agencies.....	6.0	13.0	12.9	8.9	12.9	13.5
Total.....	6,894.8	5,245.0	1,933.2	2,974.2	4,212.5	4,541.9

¹ Contract authority for the Environmental Protection Agency's 1976 sewage facility grant program is included as 1975 budget authority since it is allocated and available for obligation in 1975. It therefore appears in the 1975 column for budget authority rather than the 1976 column.

² The large difference between outlays and budget authority is primarily due to outlays from budget authority prior to 1974.

³ The large difference between outlays and budget authority is primarily due to TVA's outlays on remedial action which are funded from revenues rather than budget authority.

Main agency activities.—The *Environmental Protection Agency* conducts and administers the major pollution control and abatement activities of the Federal Government. Outlays by EPA will increase from an estimated \$2,936.6 million in 1975 to \$3,079.5 million in 1976. EPA has responsibility over the administration of funding for a major portion of the largest single category of Federal spending for pollution control and abatement, that being grants for constructing or improving municipally owned waste treatment plants.

Research and development will account for 40% of the estimated outlays of EPA's operating programs in 1976. (Construction grants are excluded from operating programs). These funds will be allocated for the study of the processes and effects of pollutants including the

health effects of pollutants, their ecological and other nonhealth effects, the movement and transformation of pollutants in the environment, the measurement of pollution problems, and research on low emission fuel-efficient vehicles.

EPA's abatement and control programs apply to a wide variety of environmental problems—monitoring, establishment, and enforcement of standards, issuing of permits, and providing technical assistance regarding air, water, solid waste, noise, hazardous materials, and pesticides pollution.

The *Department of the Interior's* Bureau of Mines conducts research and development on procedures to prevent and abate pollution from mining and is attempting to develop improved methods of removing pollutants from mineral processing plants, and for recovering the valuable constituents in mineral processing wastes. It will increase research efforts for methods of converting coal to fuel gas with less pollution.

The *Department of Defense* is expanding its research program to reduce pollution from its industrial production, military, and other facilities. The Corps of Engineers administers a permit program under the Federal Water Pollution Control Act which makes it illegal to discharge dredged or fill material into a navigable water without a permit. The Corps will continue to prepare studies regarding implementation of regional water quality management plans.

The *National Aeronautics and Space Administration* conducts a continuing research and development program to reduce aircraft noise and pollution. NASA is undertaking a major program to develop spacecraft with the capability of detecting and monitoring atmospheric pollution.

The *Department of Commerce* conducts a number of pollution control and abatement activities. Its Economic Development Administration and the Regional Action Planning Commissions provide grants and loans for the construction of water and waste treatment facilities and water and sewer lines where these items are needed to foster economic development. Technical assistance is also provided to solve pollution control and abatement problems. The National Oceanic and Atmospheric Administration is carrying on a broad scale program of equipment installation to further control water pollution resulting from its ship operations. The National Bureau of Standards is engaging in research and development for reference standards and measurement systems for air, water, radiation, and noise pollution.

The *Department of Transportation's* major programs lie in the area of noise pollution control. The Federal Highway Administration is studying techniques to decrease the impact of highway noise, and to control erosion from highway construction. The Federal Aviation Administration is continuing its program to develop quieter aircraft engines. It is also investigating sonic booms, and development of design guidelines for airports so that they are consistent with neighboring land use policies. The Urban Mass Transportation Administration will continue support of programs to demonstrate advanced bus and rail technology which reduce pollution and conserve energy. In addition, the U.S. Coast Guard investigates coastal oil spills, and initiates preventive and clean-up actions if the polluter cannot be identified or is not capable of such actions.

The *Department of Agriculture* conducts research on problems of agriculturally related pollution. The Cooperative State Research Service and the Extension Service are continuing to develop methods of reducing pollution from the production and processing of agricultural products. The Forest Service investigates and applies methods of controlling sediment pollution and the Animal and Plant Health Inspection Service conducts programs to reduce the amount of pesticides used to control pests. The Farmers Home Administration makes loans to local organizations to provide for the collection and disposal of human, animal, agricultural, and other wastes in rural areas.

The *Energy Research and Development Administration* (ERDA) is expanding its research relating to pollution sources and effects to assure that rapidly expanding energy technologies currently under development will be implemented with minimal impacts on the environment. Research will also emphasize pilot plant projects for converting coal to fuel gas with less pollution. Prevention and abatement of pollution from mining and the development of improved methods of removing pollutants from mineral processing plants will be continued. Projects aimed at the recovery of valuable constituents in mineral processing wastes will be expanded.

UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT

Eleven Federal agencies will spend outlays of \$1.4 billion in 1976 on activities oriented toward describing the environment, predicting environmental conditions and increasing man's understanding of his role in the broad ecological cycle of which he is a part. Though these activities may ultimately lead to the reduction of pollution, they are not specifically intended for that purpose. Instead, their purpose is to gain a broad understanding of ecological systems and environmental interactions. As such they include efforts toward:

- Observing and predicting weather, ocean conditions, and shock environmental disturbances such as earthquakes. This activity would include the collection of oceanographic and meteorological data, and activities which improve weather monitoring, predicting and warning. Weather satellite programs which will provide enhanced environmental warning services (via an air quality observation network) are also included.
- Locating and describing natural resources. Programs such as the earth resources technology satellite (ERTS) program are helping to better understand existing natural resource systems and also identify, evaluate, and monitor new and existing natural resources.
- Preparing physical environmental surveys of the environment for mapping and charts and related research.
- Weather modification research—includes experiments on weather modification.
- Understanding the impact of man on the environment, and
- Ecological and other basic environmental research—involving the development of baseline data on the abundance and distribution of plants and animals in relation to the modification of the environment by man.

UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT

[In millions of dollars]

	1974 actual	1975 estimate	1976 estimate
Budget authority.....	1,128.6	1,298.0	1,379.1
Outlays.....	1,065.3	1,236.2	1,309.3

Table Q-4 shows the distribution of both budget authority and outlays by the various functions listed above.

Table Q-4. UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT—BY FUNCTION (in millions of dollars)

Activity	Budget authority			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Observe and predict weather ocean conditions, and dis- turbances:						
Research and development...	169.2	172.5	206.6	149.8	153.4	176.6
Operations.....	340.8	376.8	388.4	334.2	358.2	371.2
Locating and describing natural resources:						
Research and development...	142.1	188.6	191.6	120.1	176.2	188.5
Operations.....	142.9	173.9	187.6	140.1	176.2	183.7
Physical environmental surveys:						
Research and development...	14.2	13.3	11.3	15.8	11.2	7.8
Operations.....	107.3	125.8	121.5	98.6	117.1	115.1
Weather modification research...	21.6	22.4	21.1	22.2	23.4	21.5
Research on environmental im- pact on man.....	96.7	116.9	129.2	95.7	119.8	130.0
Ecological and other basic en- vironmental research.....	93.8	107.8	121.8	88.8	100.7	114.9
Total.....	1,128.6	1,298.0	1,379.1	1,065.3	1,236.2	1,309.3

Table Q-5 shows the distribution of total budget authority and outlays shown in table Q-4 by the major agencies involved in this category of activity.

Table Q-5. UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Commerce.....	330.9	369.8	383.9	329.9	354.3	346.3
Defense—Military.....	151.1	163.5	165.8	135.4	140.5	145.6
National Science Foundation...	112.4	120.4	139.9	105.9	113.2	126.4
Interior.....	162.2	233.9	246.7	151.2	229.2	240.1
National Aeronautics and Space Administration.....	116.8	115.4	128.2	89.3	100.8	118.6
Agriculture.....	113.8	129.6	133.7	114.5	132.9	133.2
Energy Research and Develop- ment Administration.....	65.2	87.3	101.0	64.8	85.8	100.8
Health, Education, and Welfare	28.4	28.0	28.1	27.9	31.3	29.4
Transportation.....	18.2	14.6	16.5	18.0	14.0	15.9
Smithsonian Institution.....	11.1	12.8	12.3	10.3	12.1	12.5
Other agencies.....	18.5	22.7	23.0	18.1	22.1	22.5
Totals.....	1,128.6	1,298.0	1,379.1	1,065.3	1,236.2	1,309.3

Agencies involved.—*Department of Transportation* research will focus on making transportation facilities compatible with the environment, and on conserving energy through more efficient use of existing transportation resources. The Coast Guard collects oceanographic and meteorological data for the preparation of maps and charts to be used in the development of ocean transportation. FAA activities are devoted to an understanding of adverse environmental effects of aircraft noise, pollution, and sonic booms. The agency will continue work on a multiyear, multimillion dollar research program on the effects of engine exhaust on the stratosphere.

Research by the *Department of Housing and Urban Development* includes analyses to increase knowledge of the effects of urban and nonurban change, particularly as it affects and is affected by the natural environment.

The *Smithsonian Institution* develops environmental base line data on the abundance and distribution of plants and animals in relation to modification of the environment by man. It also identifies indicator organisms that can be used in monitoring the environment.

In the *Department of Commerce*, the National Oceanic and Atmospheric Administration conducts a wide range of environmental monitoring and prediction activities, weather modification experiments, surveys for mapping and charting, data archiving and dissemination services, and related research. Continued emphasis will be given to improving weather monitoring, prediction, and warning to help further reduce the loss of life and property from natural disasters. Increased outlays in 1976 will support improvement of weather prediction and warnings through better basic observations. This program will concentrate on procedures to modify FAA radar equipment in mountainous areas to insure continued availability of weather data from these sites. The weather satellite program will provide enhanced environmental warning services and will prepare for the next generation of polar-orbiting satellites. Implementation of the air quality observation network will be continued as will coastal zone research.

The *Department of Health, Education, and Welfare*, through the National Institute of Environmental Health Sciences, conducts research directed at the identification of chemical, physical, and biological environmental factors which affect human health.

The *Department of Defense* conducts activities in environmental observation and measurement to describe and predict weather, 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. The Corps of Engineers conducts hydrologic studies as a background for future use in optimum design, construction, and operation of water control structures. The Corps also examines the effects of construction on coastal ecology in order to permit more accurate assessment of the ecological effects of offshore construction and dredging.

The *National Science Foundation* supports environmental research with the objective of increasing the Nation's knowledge base in order to improve environmental management. Studies are undertaken in all aspects of the biosphere on an environmental systems basis. Efforts

will continue to measure and assess the environmental effects of mining, manufacturing, use, and disposal of metallic and synthetic organic compounds.

In the *Department of Agriculture*, the Agriculture Research Service conducts research by remote sensing to study animals in a natural environment, crop conditions and insect infestations, and soil-water-plant conditions in order to improve both animal and crop production. It is also increasing its efforts to monitor and understand the ecological patterns of disease and insects in order to develop an integrated pest management program which would reduce the use of pesticides.

The Forest Service studies forest ecosystems so that policy decisions and management practices can lead to improved productivity while maintaining the quality of the environment. The Soil Conservation Service conducts soil and snow surveys, and makes water supply forecasts.

The *Department of the Interior* supports research conducted by the Bureau of Reclamation on weather modification, water salinity problems, and the effects of water resource development projects on ecology and limnology.

The National Park Service conducts natural science ecological studies leading to improved resource management and proposals relating to impact of development on the park environment while the Office of Water Resources Research sponsors, and provides for the conduct of research, investigations, and experiments in the water resources field.

The *National Aeronautics and Space Administration*, through its use of satellites, has developed a number of programs with the potential of making accurate short-term (a few hours) weather predictions, and accurate long-term (2 weeks) weather and climate predictions. In addition to helping to better understand natural resources systems, the ERTS program is used for identifying, evaluating, and monitoring animal and plant habitats and distributions, water and vegetation distribution, surface moisture, and the effect of thermal and particulate pollution on the ecology and environment.

The *Energy Research and Development Administration* (ERDA) will direct research toward the siting problems of powerplants in fulfillment of the requirements of NEPA. Further information will be gathered on the biological effects of thermal effluents on various aquatic ecosystems; the effects (by nuclear powerplants) of various attrition rates of larvae fishes on the ability of adult fishes to maintain themselves; the overall effects of various alternative methods of cooling water disposal; and the toxicity of various chemicals added to cooling systems to prevent biological fouling.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT

Activities within this category place emphasis on enabling man to use and enjoy the outdoor environment through the provision of recreational facilities, parks and open areas. In 1976, \$1.1 billion will be spent on this type of planning for conservation and management of wildlife and fishery resources.

The achievement of these goals is accomplished by both direct Federal expenditures and by grants to State and local governments. Direct Federal programs are primarily directed toward providing for

the acquisition of land in order to preserve nationally unique natural areas and supporting sport fish and wildlife preservation. State and local governments use grant funds to acquire and develop land for recreational purposes and to preserve local fish and wildlife refuges.

Table Q-6 shows the distribution of Federal funding across the major program areas within this category. It also shows the allocation of total funds between direct Federal activities and grants to State and local governments.

Table Q-6. ENVIRONMENTAL PROTECTION AND ENHANCEMENT—BY FUNCTION (in millions of dollars)

Activity	Budget authority			Outlays		
	1974 actual	1975 estimates	1976 estimates	1974 actual	1975 estimates	1976 estimates
Financial aid to State and local governments:						
Purchase, development and operations:						
City recreation.....	35.6	50.9	49.8	¹ 93.1	106.5	92.4
Preserve unique areas.....	.2	.2	2.5	¹ 25.0	23.5	25.8
Noncity general recreation.....	59.0	141.5	147.0	120.8	123.4	135.9
Sport fish and wildlife.....	75.0	85.0	89.4	67.8	82.7	85.8
Historic preservation and rehabilitation.....	11.6	20.1	20.1	11.4	16.9	20.0
Other State and local aid....	12.1	13.4	22.0	14.9	29.7	50.1
Subtotal.....	193.5	311.1	330.8	333.0	382.7	410.0
Direct Federal activities:						
Purchase, Development and operations:						
City recreation.....	103.2	137.8	117.0	108.1	120.9	113.4
Preserve unique natural areas.....	130.8	168.6	210.5	151.0	136.0	182.8
Noncity general recreation.....	127.0	184.9	180.2	128.2	178.5	178.5
Sport fish and wildlife.....	60.8	72.1	70.0	61.6	64.5	67.3
Historic preservation and rehabilitation.....	37.0	66.6	55.2	40.6	51.8	45.7
Other direct activities.....	49.8	72.8	72.7	47.6	74.6	71.8
Subtotal.....	508.6	702.8	705.6	537.1	626.3	659.5
Total.....	702.1	1,013.9	1,036.4	870.1	1,009.0	1,069.5

¹ See footnote at bottom of Table Q-7.

As indicated in table Q-6 the major environmental protection and enhancement activities are:

- City recreation—including direct Federal involvement or Federal financial assistance for projects which establish or develop parks and recreational facilities in urban areas;
- Preservation of unique national areas which includes programs related to national parks, monuments, scenic rivers, trails, wildernesses, seashores, and wildlife refuges;
- Noncity general recreation program including those for recreation in nonurban areas such as national forests and Federal water projects;
- Sport fish and wildlife projects which create and manage wildlife refuges, fish hatcheries, and protect rare and endangered species, and

- Historic preservations and rehabilitation of national historic sites and military parks.

Table Q-7 illustrates the distribution of funds in this category by agency.

Table Q-7. ENVIRONMENTAL PROTECTION AND ENHANCEMENT—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Interior.....	498.0	797.6	803.7	606.4	682.0	733.0
Agriculture.....	88.2	92.1	101.6	84.0	99.6	97.2
Defense—Civil.....	54.5	77.3	77.8	54.5	72.8	82.0
Commerce.....	35.5	38.6	44.8	24.0	38.3	38.4
HUD.....	(1)	(1)	(1)	92.7	90.6	110.6
Other agencies.....	25.9	8.3	8.5	8.5	25.7	8.3
Total.....	702.1	1,013.9	1,036.4	870.1	1,009.0	1,069.5

¹ Outlays are from budget authority prior to fiscal year 1974.

Agencies involved.—The *Department of the Interior*, through its Bureau of Land Management, protects and manages over 450 million acres in the Western States and Alaska, representing 20% of America's land base. Legislation has been proposed that would establish as national policy, that these 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 Outdoor Recreation promotes the coordination of 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 Fish and Wildlife Service provides assistance to State and local governments for fish and wildlife restoration, management, and research. The Service administers 95 hatcheries and 356 units in the National Wildlife Refuge System containing 30.7 million acres. Endangered species are protected on 82 of the national wildlife refuges.

The National Park Service administers 308 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 other areas which have been established to preserve the Nation's natural and historic heritage.

In the *Department of Commerce*, the National Oceanic and Atmospheric Administration is placing emphasis on improved management of the Nation's coastal zone through federally assisted and coordinated State programs. In 1976, NOAA will continue to provide grants to States for the preparation of their coastal zone management plans and the initial phases of administration of those plans. Other activities in 1976 will provide for administration and enforcement of the Marine Mammal Protection Act of 1972, research on the status of stocks of whales, and research on fur seals. Research on aquaculture and grants to States for the enhancement and restoration of the marine fishery resources will be continued.

The *Department of Agriculture* carries out a variety of enhancement activities, particularly through the Forest Service. The 187 million acres of national forest lands are managed in accordance with the provisions of the Multiple Use-Sustained Yield Act to provide outdoor recreation, range, timber, watershed, mineral, and wildlife values in combinations that will best protect resources without impairing the productivity of the land.

RESEARCH AND DEVELOPMENT

Significant funding of environment-related research and development will continue in 1976. Research and development programs exist under both the pollution control and abatement and the understanding, describing, and predicting categories.

Table Q-8. ENVIRONMENTAL RESEARCH AND DEVELOPMENT ACTIVITIES
(in millions of dollars)

Category	Budget authority			Outlays		
	1974 actual	1975 estimate	1976 estimate	1974 actual	1975 estimate	1976 estimate
Pollution control and abatement ¹	506.2	713.4	710.4	414.5	581.3	683.6
Understanding, describing, and predicting.....	537.6	621.5	681.6	492.4	584.7	639.3
Total	1,043.8	1,334.9	1,392.0	906.9	1,166.0	1,322.9

¹ Includes both primary and secondary research and development.

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