



# SPECIAL ANALYSES

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BUDGET OF THE UNITED STATES

FISCAL YEAR 1967

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## FOREWORD

This volume of *Special Analyses of the United States Budget, 1967*, contains facts and figures on special aspects of the President's budgetary recommendations transmitted in *The Budget of the United States Government, 1967*. Thirteen special analyses are included, of which four (A through D) are reprints of analyses already printed in the budget document.

### 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.

## SPECIAL ANALYSIS A

### THREE MEASURES OF FEDERAL FINANCIAL TRANSACTIONS

Data on Government financial transactions are used for many purposes. No single set of accounts can serve all purposes equally well. As a result, various budget concepts and forms have been developed to meet different needs. The three measures of Federal receipts and expenditures most commonly used are: (1) the administrative budget, (2) the consolidated cash statement of Federal transactions, and (3) the Federal sector of the national income and product accounts. A reconciliation of these three measures is presented in table A-1.

For many years, the administrative budget served as the principal financial plan for conducting the affairs of Government. It represents a focal point for management and decisionmaking with respect to Government activities which are financed by the Government's own funds. As long as almost all Federal financial transactions were carried out with federally owned funds, the administrative budget provided adequate coverage.

In recent years, however, trust fund operations which are not included in administrative budget totals have grown rapidly. As a result, the flow of financial transactions between the Federal Government and the public is considerably larger than is shown by the administrative budget. For this reason, the consolidated cash statement of Federal receipts from and payments to the public is designed to present more fully the flow of total cash transactions (excluding borrowing) between the Federal Government and the public. Thus, the consolidated cash statement is useful for determining Government financing and net borrowing requirements and for analyzing the Federal impact on money and credit.

Federal receipts and expenditures in the national income and product accounts provide a measure of the direct impact of Federal fiscal activity on the Nation's current flow of income and output. This measure was specifically designed to complement the data on private expenditures and incomes contained in the Department of Commerce national income accounts. The Federal sector account is especially suited for an analysis of fiscal and economic policy.

For certain types of problems, none of these measures of receipts and expenditures will serve adequately. Economic activity may be affected by Government transactions which are not reflected immediately or fully in receipts and expenditures. For example, a rapid expansion in new appropriations and in Government orders could stimulate a rise in business activity well before either the delivery of goods, the performance of services, or the payment for them. The management of public debt, loan guarantees, and loan insurance programs have a significant impact in the money and credit markets of the economy not fully reflected by the level of budget expenditures. Consequently, in evaluating the economic impact of Federal Government activities, there is no substitute for complete and detailed analysis of the Government program in all its aspects.

Table A-1. RELATION OF THREE MEASURES OF FEDERAL RECEIPTS AND EXPENDITURES, 1965-67

[In billions of dollars]

	1965 actual	1966 estimate	1967 estimate
<b>RECEIPTS</b>			
<b>Administrative budget receipts</b> .....	93.1	100.0	111.0
Plus: Trust fund receipts.....	31.0	33.5	41.6
Less: Intragovernmental transactions.....	4.3	4.5	5.5
Receipts from exercise of monetary authority.....	.1	.9	1.6
<b>Equals: Federal receipts from the public</b> .....	119.7	128.2	145.5
Less: Cash transactions excluded from Federal receipts account:			
Coverage differences:			
District of Columbia.....	.3	.3	.3
Other.....	.1	.1	.1
Financial transactions: Receipts from loan repayments.....	.4	.1	.2
Miscellaneous: Sale of land, etc.....	.2	.1	.1
Plus: Items added to Federal sector account but not in cash receipts:			
Netting differences.....	.7	.1	-.1
Contributions to Government employee retirement funds.....	(2.2)	(2.2)	(2.2)
Receipts netted against expenditures, etc.....	(-1.5)	(-2.1)	(-2.3)
Timing differences: Excess of tax accruals (+) or collections (-) (corporate, personal, social insurance contributions, etc.).....	.2	1.0	-2.6
Miscellaneous.....	*	.1	.1
<b>Equals: Federal receipts, national income and product accounts</b> .....	119.6	128.8	142.2
<b>EXPENDITURES</b>			
<b>Administrative budget expenditures</b> .....	96.5	106.4	112.8
Plus: Trust fund expenditures (including Government-sponsored enterprises net).....	29.6	33.8	37.9
Less: Intragovernmental transactions.....	4.3	4.5	5.5
Debt issuance in lieu of checks and other adjustments.....	-.6	.7	.2
<b>Equals: Federal payments to the public</b> .....	122.4	135.0	145.0
Less: Cash transactions excluded from Federal sector expenditures account:			
Coverage differences:			
District of Columbia, Federal home loan banks, and Federal land banks.....	1.6	.8	1.0
Other.....	.2	.3	.3
Financial transactions:			
Net lending in cash expenditures.....	2.4	1.5	-1.4
Net foreign currency purchases.....	.9	1.0	1.0
Miscellaneous: Acquisition of land, etc.....	.7	.4	.7
Plus: Items added to Federal sector account but not in cash payments:			
Netting differences.....	.7	.1	-.1
Contributions to Government employee retirement funds.....	(2.2)	(2.2)	(2.2)
Receipts netted against expenditures, etc.....	(-1.5)	(-2.1)	(-2.3)
Timing differences:			
Excess of deliveries and accruals (+) or payments (-).....	1.5	-.6	-.8
Checks outstanding and certain other accounts.....	-.9	.1	-.1
Miscellaneous: Net expenditure of foreign currency and other.....	.4	.4	.3
<b>Equals: Federal expenditures, national income and product accounts</b> .....	118.3	131.0	142.7

\*Less than \$50 million.

### ADMINISTRATIVE BUDGET

The administrative budget covers receipts and expenditures of funds owned by the Federal Government—the general fund, special funds, public enterprise funds, and intragovernmental revolving and management funds. Interfund transactions between these Federal accounts are excluded from the total while business-type activities (such as the Post Office) are normally recorded as “net expenditures.”

Although budget documents placed before the Congress have regularly included both federally owned funds and funds held in trust by the Government, only the former have been traditionally used to calculate budget totals.

### CONSOLIDATED CASH STATEMENT

The consolidated cash statement of Federal receipts and payments is more comprehensive than the administrative budget in that it includes the receipts and expenditures of trust funds as well as funds wholly owned by the Federal Government. Since the consolidated cash statement measures the flow of cash between the public and the Government, intragovernmental transactions (transactions between budget and trust fund accounts) are excluded. Government payments are recorded when checks are cashed while administrative budget outlays are recorded when checks are issued.

### FEDERAL SECTOR OF THE NATIONAL INCOME ACCOUNTS

The Federal sector of the national income and product accounts—like the consolidated cash statement—includes most administrative budget and trust fund transactions. However, in contrast both to the consolidated cash statement and the administrative budget, only those receipts and expenditures which directly affect the current flow of income and output are recorded. The national income accounts exclude all borrowing and lending transactions. The Federal sector account, therefore, excludes transactions involving purely financial claims such as loans and purchases or sales of land. Such transactions represent neither the production of current output nor incomes, even though they may have indirect effects on the level or composition of economic activity.

Both the administrative budget and consolidated cash statement count business tax receipts, like other receipts, as they are collected. In contrast, the Federal sector account records some tax receipts—particularly corporate income taxes—as they accrue, on the ground that the main economic impact of these taxes is more closely associated with the accrual of liabilities than with actual cash collections. Also, the Federal sector records most purchases of goods and services when delivery is made, while the administrative budget records most expenditures at the time checks are issued and the consolidated cash statement when funds are withdrawn from Treasury accounts (cash or checks-paid).

Table A-2. FEDERAL RECEIPTS AND EXPENDITURES IN THE NATIONAL INCOME ACCOUNTS (in billions of dollars)

Description	1965 actual	1966 estimate	1967 estimate
<b>RECEIPTS, NATIONAL INCOME BASIS</b>			
Personal tax and nontax receipts.....	51.2	54.8	60.5
Corporate profits tax accruals.....	27.0	29.3	31.1
Indirect business tax and nontax accruals.....	16.8	15.9	16.5
Contributions for social insurance.....	24.6	28.8	34.1
<b>Total receipts, national income basis.....</b>	<b>119.6</b>	<b>128.8</b>	<b>142.2</b>
<b>EXPENDITURES, NATIONAL INCOME BASIS</b>			
Purchases of goods and services.....	64.5	70.7	74.4
Transfer payments.....	30.3	34.2	39.2
Grants-in-aid to State and local governments.....	10.9	12.8	14.7
Net interest paid.....	8.6	9.0	9.7
Subsidies less current surplus of Government enterprises.....	4.1	4.3	4.7
<b>Total expenditures, national income basis.....</b>	<b>118.3</b>	<b>131.0</b>	<b>142.7</b>
<b>Surplus (+) or deficit (-), national income basis.....</b>	<b>+1.2</b>	<b>-2.2</b>	<b>-5</b>

**Federal sector receipts.**—Federal receipts on a national income basis largely reflect the tax payments or liabilities of individuals, corporations and other businesses arising out of incomes earned as well as other tax and nontax receipts. These receipts are classified into the following four categories: (1) personal tax and nontax receipts, (2) corporate profits tax accruals, (3) indirect business tax and nontax accruals, and (4) receipts from contributions for social insurance.

Personal tax and nontax receipts consist mostly of individual income taxes, estate and gift taxes, fines, fees, and rental receipts. Corporate profits tax accruals represent the Federal tax liability incurred and accrued by resident corporations on their corporate earnings during the specified year or period. Collections of Federal corporate income taxes usually lag the accruals. Indirect business tax and nontax accruals consist primarily of excise taxes, customs duties, and Federal receipts from rent and royalties. Receipts from contributions for social insurance are composed chiefly of employment taxes, contributions to the retirement funds for Government employees, and deposits by the States to the unemployment trust fund.

**Federal sector expenditures.**—Federal expenditures on a national income basis represent either purchases of currently produced goods and services or outlays which directly affect current levels of income. These expenditures are classified in the following five categories: (1) purchases of goods and services, (2) transfer payments, (3) grants-in-aid to State and local governments, (4) net interest paid, and (5) subsidies less current surplus of Government enterprises. The definitions of the categories have been developed by the Department of Commerce consistent with the framework of accounts covering the Nation's total economic activity.

1. *Purchases of goods and services.*—These purchases represent the value of the Nation's currently produced output bought directly by the Federal Government. Expenditures for goods and services represent the production and use of resources and constitute a part of the gross national product. They are reported in the national income accounts net of Government sales of goods and services.

Purchases include the pay of active military and civilian employees of the Federal Government, employer contributions for retirement, insurance, and other benefits for Federal employees, deliveries of equipment and supplies for defense and other programs, new construction and purchase of existing structures, payments on research and development contracts with corporations and on similar grants to private nonprofit institutions, expenditures for the purchase of commodities to be donated to schools or similar institutions, and generally, the administrative expenses of Government programs. Net interest paid to (or received from) foreigners is included in (or deducted from) purchases of goods and services.

2. *Transfer payments.*—Transfer payments consist of expenditures by the Federal Government for which no current output or services have been rendered; in other words, they are payments to certain recipients for which no contribution to national production is made during the time period under consideration. Transfer payments are classified into two categories—domestic and foreign.

Domestic transfer payments consist of monetary transfers to persons or nonprofit institutions in the United States (excluding territories and possessions). Examples of domestic transfer payments are: Veterans compensation, pensions, and benefits; retired pay to Federal civilian or military personnel; unemployment benefits; old-age, survivors, and disability insurance; nonrepayable outlays for scholarships and fellowships; and payments for construction of private nonprofit hospitals.

Although transfer payments do not directly enter GNP calculations as a Federal Government component, they do enter into the income stream and have an impact on national output when respent by the recipients.

Foreign transfer payments consist of Federal nonmilitary transfers of money, commodities, or services for which no dollar reimbursement is received.

3. *Grants-in-aid to State and local governments.*—Grants, for purposes of the national income accounts, are Federal payments (other than for interest on the public debt) to State and local governments, including State and local educational institutions. Most of the grants-in-aid and the shared revenues in Special Analysis J of the budget are included in grants. Excluded, however, are items such as (a) construction outlays for private nonprofit hospitals, (b) grants-in-kind such as farm commodities distributed to State and local government units, and (c) payments to Puerto Rico, the Virgin Islands, and other possessions. Payments to public educational institutions for research and development contracts are recorded as grants. Like transfer payments and net interest paid, Federal grants-in-aid are counted in the GNP when respent by recipients—in this case, as purchases by State and local governments or as consumption expenditures of individuals receiving State or local transfer payments.

4. *Net interest paid.*—Net interest paid consists of the interest outlays to residents (including State and local governments) minus the interest received from them.

5. *Subsidies less current surplus of Government enterprises.*—This category consists of two elements which are consolidated for analytical and statistical reasons: (a) subsidy payments to resident businesses, and (b) the "current surplus" or "deficit," as the case may be, of Government enterprises.

(a) In principle, a Government expenditure becomes a subsidy when it enables a producer to sell goods and services below the cost-price relationship determined by market forces or when it is a payment made to curtail production. By definition, therefore, subsidies are made only to businesses organized for profitmaking purposes (including farms). Examples of subsidies are Government payments to farmers for land retirement, certain outlays for the export of surplus agricultural commodities by business, payments to air carriers, and the operating differential subsidy of the Maritime Administration.

(b) Government enterprise is the term applied to those functions of the Government (usually appearing in the budget as public enterprise revolving funds) whose operating costs are to a great extent covered by the sale of goods and services to the public, as opposed to being financed by tax receipts. In short, Government enterprises conduct operations which are of a commercial nature. The difference between their sales and operating expenses constitutes the surplus or deficit of government enterprises.

#### RELATIONSHIP OF CONSOLIDATED CASH STATEMENT TO THE ADMINISTRATIVE BUDGET

Certain adjustments are needed to derive the consolidated cash statement from administrative budget totals, as summarized in table A-1.

1. *Trust funds.*—The consolidated cash statement covers the financial transactions of Federal trust funds (including Government-sponsored enterprises) in addition to administrative budget receipts and expenditures. Accordingly, excise taxes that support the highway trust fund, employment taxes, deposits by States for unemployment insurance, veterans life insurance premiums, and other trust fund receipts are included along with the corresponding trust fund disbursements.

2. *Intragovernmental transactions.*—Administrative budget receipts include amounts paid into the Treasury by trust funds. (These amounts are also reported as trust fund expenditures.) Similarly, there are trust fund receipts, such as interest on trust fund holdings of U.S. securities, which are also reported as administrative budget expenditures. In consolidating the transactions of budget and trust funds, these intragovernmental transactions are eliminated from the combined receipts and expenditures since no exchange of cash with the public is involved in these operations.

Table A-3. INTRAGOVERNMENTAL TRANSACTIONS EXCLUDED FROM THE CONSOLIDATED CASH STATEMENT

[In millions of dollars]

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative budget receipts which are trust fund expenditures:</b>			
Franchise taxes from Government-sponsored enterprises.....	5	5	5
Dividends, interest, etc., from Federal National Mortgage Association.....	17	16	22
Reimbursements for expenses and services.....	66	72	76
Repayment of advances from unemployment trust fund and other.....	106	21	2
<b>Total, administrative budget receipt items.....</b>	<b>194</b>	<b>114</b>	<b>105</b>
<b>Trust fund receipts which are administrative budget expenditures:</b>			
Interest on trust funds.....	1,770	1,822	1,970
Contributions for military service credits.....	14	122	122
Federal supplementary medical insurance.....			550
Transitional coverage for hospital insurance.....		26	283
Payments to District of Columbia (including Federal grants-in-aid).....	102	101	152
Employing agencies' payments to employees' retirement funds.....	1,111	1,136	1,150
Awards to Indian tribal funds.....	58	86	85
Contributions to veterans life insurance funds.....	7	7	6
Other.....	1	1	1
<b>Total, trust fund receipt items.....</b>	<b>3,063</b>	<b>3,301</b>	<b>4,318</b>
Deductions from employees' salaries for retirement.....	1,046	1,069	1,077
<b>Total, intragovernmental transactions.....</b>	<b>4,303</b>	<b>4,484</b>	<b>5,500</b>

3. *Exercise of monetary authority.*—These receipts now come mostly from seigniorage; that is, they represent the difference between the cost of the metal in coins and the face value of the coins as money. Seigniorage is included in administrative budget receipts, but is not a cash receipt from the public.

4. *Debt issuance in lieu of checks.*—In a few cases, Government expenditures are made by issuing bonds or notes, or increasing the value of bonds outstanding in lieu of issuing checks. Such transactions are recorded in the administrative budget as expenditures when the debt is thus increased, even though no cash outflow takes place until the debt instrument is redeemed.

For example, the administrative budget records interest on savings bonds when it accrues (and is added to the redemption value currently payable) rather than when it is actually paid. In computing cash payments to the public, interest payments are included only when the bonds are cashed. Therefore, an adjustment is made for the difference between the amount of interest accrued and the amount paid.

A second example involves transactions in special notes used to pay certain U.S. Government obligations. The Government has paid a

portion of its subscriptions to the International Monetary Fund, the International Development Association, and the Inter-American Development Bank in non-interest-bearing notes. The notes are considered administrative budget expenditures and become part of the public debt when they are issued. However, they are not counted as a payment to the public until they are redeemed for cash, at which time they cease to be part of the public debt. Conversely, when the institutions return cash to the Treasury in exchange for notes, payments to the public are reduced by the amount of the cash receipts and a corresponding increase in the public debt takes place.

Table A-4. DEBT ISSUANCE IN LIEU OF CHECKS, NET (in millions of dollars)

Description	1965 actual	1966 estimate	1967 estimate	End 1967 outstand- ing
Accrued interest added to value of debt (savings bonds, etc.).....	715	711	448	13,269
Treasury notes issued for:				
International Monetary Fund.....	-472			3,167
International Development Association.....	-4	-95	-43	
Inter-American Development Bank.....			-75	75
United Nations funds securities.....	11	-41	-40	3
Armed Forces leave bonds issued <sup>1</sup> .....	-1	-1	-1	5
Adjusted-service bonds issued.....	*	*	*	1
Excess profits tax refund bonds issued <sup>2</sup> .....	*	*	*	1
Total, debt issuance in lieu of checks, net.....	250	574	289	16,521

\*Less than one-half million.

<sup>1</sup> Negative figures represent net redemption.

<sup>2</sup> Reported as refunds of receipts.

5. *Changes in outstanding checks.*—Administrative budget and trust fund expenditures are recorded at the time checks are issued. To reflect more accurately the point in time at which cash payments actually affect Treasury cash balances, an adjustment is made to place expenditures on a checks-paid basis.

#### RELATIONSHIP OF FEDERAL SECTOR ACCOUNT TO THE CONSOLIDATED CASH STATEMENT

There are a number of important differences between the Federal sector account and the consolidated cash statement. These are shown in table A-1.

**Exclusions from the cash budget:** Certain transactions reported as receipts or expenditures in the consolidated cash statement are excluded or treated differently in the Federal sector accounts:

1. *Coverage differences.*—Cash receipts and expenditures of the District of Columbia are excluded from the Federal sector and included in the State and local government sector of the national income accounts. Likewise, the net expenditures of the Federal Home Loan Banks and the Federal Land Banks are classified elsewhere and excluded from the Federal sector accounts. Geographical exclusions relate to Federal transactions with Puerto Rico, the Virgin Islands, and other possessions.

2. *Financial transactions.*—The Federal sector account excludes financial transactions (cash loan repayments and disbursements) since these reflect the exchange of one kind of financial instrument for another. Also excluded are dollar cash outlays for the acquisition of foreign currency—such as Commodity Credit Corporation payments to exporters in exchange for foreign currencies received for the export.

3. *Miscellaneous adjustments.*—These include primarily transactions involving the sale or purchase of land—items which are included in the cash budget but not in the Federal sector account.

**Additions to the cash budget:** The Federal sector accounts include some transactions which are not reflected in cash receipts or expenditures:

4. *Netting differences.*—Employer and employee contributions to Federal employees' retirement funds are excluded from the consolidated cash statement as intragovernmental transactions. In the national income accounts, however, these contributions are considered to be part of the total compensation of Government employees and part of contributions for social insurance. The deficit or surplus is unaffected by the adjustment since total receipts and expenditures are both increased by the same amount.

Expenditures in the Federal sector account for purchases, interest, and the current surplus or deficit of Government enterprises are recorded net of receipts derived from products or services sold, interest received, and enterprise sales. Where these receipts are included in cash receipts, they are netted against expenditures in the Federal sector account. Again this adjustment does not influence the surplus or deficit, for in effect both receipts and expenditures are decreased by the same amount.

5. *Timing differences.*—Business taxes are recorded in the national income accounts as they are accrued by the private sector, rather than when they are collected by the Government. The principal timing adjustments for expenditures are: (a) Federal purchases are measured, insofar as is possible, in terms of the delivery of goods and services to the Government, whereas cash payments for these deliveries may precede or follow; and (b) interest on savings bonds and Treasury bills is treated as an expenditure in the Federal sector account when the interest is accrued, rather than when it is actually paid out in cash.

6. *Miscellaneous adjustments.*—This category consists primarily of the net expenditures of foreign currency. Cash budget transactions involve only dollar outlays; in the Federal sector account net foreign currency spending is treated as if it were a cash outlay. Other adjustments involve a few minor exclusions and imputations to cash receipts and expenditures.

## SPECIAL ANALYSIS B

### PUBLIC ENTERPRISES, TRUST FUNDS, AND GROSS EXPENDITURES OF THE GOVERNMENT

This analysis presents selected information on the financing of public enterprise funds and the trust funds. It also covers certain receipts and reimbursements from outside the Treasury to general fund appropriations and other accounts which are netted in the administrative budget expenditures, and it indicates the magnitude of total expenditures gross of such netting. Additional tables in this special analysis relating to borrowing and investments in U.S. securities are an integral part of the computation of the changes in public debt in table 11 of part 2 of the budget.

#### PUBLIC ENTERPRISE FUNDS

The public enterprise funds are federally owned funds which carry on a cycle of operations, primarily with the public, organized usually on a business-type basis. Some of them are incorporated enterprises; others are unincorporated. Their expenditures have been included, on a net basis, in the administrative budget for many years. The general fund usually supplies them with capital; the provision of such capital, its return, and any dividends given to the general fund are not counted in the budget totals as expenditures or receipts.

*Expenditures and receipts.*—Gross expenditures of public enterprise funds are estimated to be \$22.9 billion in 1967, and their receipts will be \$21.5 billion (table B-1), resulting in net expenditures of \$1.4 billion which are included in the administrative budget totals. The Commodity Credit Corporation and the postal fund together account for slightly more than half of the expenditures. The figures for both 1966 and 1967 take account of both existing and proposed legislation.

The expenditures in table B-1 include certain interfund payments to the general fund, principally for interest (see note at end of table 14). The receipts shown in table B-1 are generally from the public; but they include some transactions from within the Government—notably, the sales of Commodity Credit Corporation inventories and services to appropriations for special activities, accounting for \$1.8 billion of the Commodity Credit Corporation receipts shown for 1967. The sales of Tennessee Valley Authority power to Government agencies, payments by all agencies to the Post Office for postal services, and interest paid to certain funds on their investments are other examples of such intragovernmental receipts included in table B-1.

Table B-1. GROSS EXPENDITURES AND APPLICABLE RECEIPTS OF PUBLIC ENTERPRISE FUNDS (in millions of dollars)

Description	Gross expenditures			Applicable receipts		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Funds appropriated to the President:						
Economic assistance.....	1,000	1,011	1,016	51	61	72
Other.....	145	105	121	68	273	233
Department of Agriculture:						
Commodity Credit Corporation.....	7,084	6,716	5,954	<sup>1</sup> 5,179	<sup>1</sup> 4,259	<sup>1</sup> 3,889
Farmers Home Administration.....	870	967	1,073	630	941	<sup>2</sup> 1,706
Rural Electrification Administration (proposed legislation).....		189	196		189	196
Other.....	26	40	<sup>3</sup> 115	25	37	<sup>3</sup> 109
Department of Commerce.....	68	164	161	15	111	105
Department of Defense:						
Military.....	13	13	15	16	15	16
Civil (Panama Canal Company).....	123	134	133	120	133	135
Department of Health, Education, and Welfare.....	7	8	9	8	8	9
Department of Housing and Urban De- velopment:						
College housing loan fund.....	313	336	400	92	96	<sup>4</sup> 912
Urban renewal fund.....	560	597	657	236	235	244
Federal National Mortgage Association..	897	1,314	<sup>5</sup> 1,524	1,446	2,016	<sup>5</sup> 2,242
Federal Housing Administration.....	859	885	851	975	770	959
Public Housing Administration.....	790	892	1,084	560	642	813
Other.....	127	156	229	29	37	<sup>6</sup> 131
Department of the Interior:						
Existing legislation.....	147	146	133	55	63	62
Proposed legislation.....		167	219		139	146
Department of Labor.....	197	223	283	199	225	287
Post Office Department.....	5,467	5,608	5,834	4,663	4,730	5,080
Treasury Department.....	1	1	1	1	1	1
General Services Administration.....	*	*	*	*	*	*
Veterans Administration.....	613	607	592	734	1,425	920
Other independent offices:						
Export-Import Bank of Washington....	804	1,376	1,281	1,161	1,908	1,590
Federal Savings and Loan Insurance Corporation.....	113	40	*	318	302	351
Small Business Administration.....	500	608	<sup>7</sup> 574	264	<sup>7</sup> 659	<sup>7</sup> 906
Tennessee Valley Authority.....	371	413	455	323	356	371
Other.....	32	34	32	47	43	40
Total.....	21,128	22,750	22,944	17,214	19,672	21,524
Receipts from the public.....				(14,297)	(16,776)	(18,714)
Receipts from other accounts.....				(2,917)	(2,896)	(2,810)

\*Less than one-half million dollars.

<sup>1</sup> Includes advances from foreign assistance and special export programs of \$2,492 million in 1965, \$1,686 million in 1966, and \$1,690 million in 1967.

<sup>2</sup> Includes \$549 million of receipts from sale of certificates of participation under proposed legislation.

<sup>3</sup> Includes gross expenditures of \$71 million and applicable receipts of \$66 million under proposed legislation to establish a revolving fund for consumer protective marketing and regulatory programs.

<sup>4</sup> Includes \$801 million of receipts from sales of participation in pooled loans under proposed legislation.

<sup>5</sup> Includes \$383 million of receipts under proposed legislation for participation sales for FNMA. Also includes gross expenditures of \$88 million and receipts of \$342 million in 1967 under proposed legislation authorizing FNMA to sell participations in mortgages and other obligations of other agencies.

<sup>6</sup> Includes receipts of \$78 million from sale of participations under proposed legislation for public facility loans.

<sup>7</sup> Includes gross expenditures of \$216,525 thousand in 1967 and receipts of \$350,000 thousand in 1966 and \$599,817 thousand in 1967 under proposed legislation to sell participation certificates.

*Capital and borrowing.*—Capital requirements of the public enterprise funds are usually supplied through new obligational authority (either appropriations or some other form of NOA) from the general fund. While most public enterprise funds are operated to be self-sustaining over a period of years, the largest—the Commodity Credit Corporation—has incurred substantial losses in most years. Appropriations have been made regularly to make up for the loss in this fund, the postal deficit, and other losses in a few smaller funds. Contract authorizations have also been provided for the Commodity Credit Corporation and for the Urban Renewal Fund of the Department of Housing and Urban Development. Table B-2 reflects all such new obligational authority.

Writeoffs shown here are primarily the return of capital or transfer of dividends to the general fund of the Treasury; they include a few cases of lapses of obligational authority.

The effect of these capital transactions, together with expenditures and receipts, upon the public enterprise fund group may be summarized as follows (in millions of dollars):

	1965	1966	1967
Balances, start of year:			
Cash and securities.....	8,301	8,675	11,515
Undrawn authorizations.....	25,297	26,280	27,235
Adjustments from other funds, net.....	148	-----	-----
New obligational authority.....	5,962	7,921	6,053
Restoration of undrawn authorization.....	22	-----	-----
Transfers from other funds.....	19	165	-----
Applicable receipts.....	17,214	19,672	21,524
<b>Total available.....</b>	<b>56,964</b>	<b>62,713</b>	<b>66,327</b>
Gross expenditures.....	21,128	22,750	22,944
Transfers to other funds.....	14	8	16
Writeoffs of authority.....	867	1,205	483
Balances, end of year:			
Cash and securities.....	8,675	11,515	14,240
Undrawn authorizations.....	26,280	27,235	28,643
<b>Total application and balances.....</b>	<b>56,964</b>	<b>62,713</b>	<b>66,327</b>

Where the new obligational authority consists of authorizations to expend debt receipts or appropriations to provide capital, rather than to make up deficits or finance losses, it is customary for the amounts thereof to become interest bearing when used or when credited to the fund.

Upon the creation of new revolving funds, to finance programs previously financed otherwise, capital may also be provided by the transfer of assets, including appropriation balances, into the new fund. Liabilities and obligations are taken over, also. This budget proposes the conversion of several programs to a revolving fund basis, among them the three power administrations in the Department of the Interior.

Minor adjustments in capital occasionally include other transfers to or from appropriations when authorized by law, and the transfer of real or personal property into or out of a fund.

Table B-2. NEW OBLIGATIONAL AUTHORITY AND WRITEOFFS OF PUBLIC ENTERPRISE FUNDS (in millions of dollars)

Description	New obligational authority			Writeoffs (including capital transfers)		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Funds appropriated to the President:						
Economic assistance.....	1,199	1,053	1,121	24	32	32
Other.....	24	1 <sup>33</sup>	26			
Department of Agriculture:						
Commodity Credit Corporation.....	<sup>2</sup> 1,932	<sup>2</sup> 3,568	<sup>2</sup> 2,528	*	*	
Farmers Home Administration.....	<sup>3</sup> 162	102				
Other (proposed legislation).....		20				
Department of Commerce.....	60	105	85	46	303	2
Department of Defense—Military.....						( <sup>6</sup> )
Department of Health, Education, and Welfare.....		*	3			
Department of Housing and Urban Development:						
College housing loan fund.....	300	300	( <sup>6</sup> )			
Urban renewal fund.....	750	689	741	( <sup>7</sup> )		
Federal National Mortgage Association.....		100	( <sup>8</sup> )	324	657	242
Public Housing Administration.....	225	264	280	1	*	*
Other.....	114	242	212	1	4	12
Department of the Interior:						
Existing legislation.....	72	63	65	2	7	1
Proposed legislation.....		<sup>9</sup> 82	93		24	25
Department of Labor.....				<sup>10</sup> 1	*	
Post Office Department.....	781	930	836	17	7	
Treasury Department.....				250	*	*
General Services Administration.....				1	*	*
Veterans Administration.....	150	*		135	<sup>11</sup> 61	<sup>11</sup> 60
Other independent offices:						
Export-Import Bank of Washington.....				50	50	50
Small Business Administration <sup>12</sup> .....	145	310				
Tennessee Valley Authority.....	48	59	64	53	59	58
Other.....				*	*	*
Total.....	5,962	7,921	6,053	867	1,205	483

\* Less than one-half million dollars.

<sup>1</sup> Excludes transfer of \$74 million from the military assistance appropriation to the Foreign military sales fund.

<sup>2</sup> Excludes increase or decrease in advances from special programs, net of research expenditures reported elsewhere, amounting to \$18,850 thousand in 1965, -\$1,433 thousand in 1966, and -\$7 million in 1967.

<sup>3</sup> Excludes restoration of undrawn authorizations to spend public debt receipts of \$22,185 thousand.

<sup>4</sup> Excludes adjustments of \$13,406 thousand in expired appropriation accounts, resulting in a reduction of capital assumed at inception of the Economic development revolving fund.

<sup>5</sup> Excludes unobligated balance of \$1 million transferred to "Operations and maintenance, civil defense" (annual appropriation act).

<sup>6</sup> Excludes reduction of \$300 million in new obligational authority (authorization to spend public debt receipts) under proposed legislation.

<sup>7</sup> Excludes unobligated balance of \$719 thousand and obligated balance of \$17,058 thousand transferred to Urban mass transportation fund under "Other."

<sup>8</sup> Includes reduction of \$450 million in new obligational authority (authorization to spend public debt receipts) under proposed legislation for participation sales.

<sup>9</sup> Excludes unobligated balances transferred from general fund accounts of \$772 thousand to Bonneville Power Administration, and \$3,586 thousand to Southwestern Power Administration. Also excludes obligated balances estimated to be assumed at inception of the funds as follows: \$89 thousand for Southeastern Power Administration, \$2,412 thousand for Southwestern Power Administration, and \$84,276 thousand for Bonneville Power Administration.

<sup>10</sup> Excludes unobligated balance of \$692 thousand transferred to "Salaries and expenses, Mexican farm labor program."

<sup>11</sup> Excludes unobligated balances transferred to Veterans insurance and indemnities appropriation of \$7 million in 1966 and \$8 million in 1967.

<sup>12</sup> Estimates for 1966 and 1967 include reductions under proposed legislation. It is estimated that \$292 million of program obligations will be financed by such legislation.

*Balances available.*—The balances of public enterprise funds are shown in table B-3. They are there divided between the balances which are accounted for as assets of the funds, and the undrawn authorizations to obtain capital from the Treasury, to borrow, or (in two cases) to contract in excess of their cash availability.

Table B-3. BALANCES OF PUBLIC ENTERPRISE FUNDS (in millions of dollars)

Description	Cash balances in Treasury and U.S. securities as of June 30			Undrawn authorizations as of June 30		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Funds appropriated to the President:						
Economic assistance.....	3,094	3,166	3,310	199	199	199
Other.....	9	183	173	44	144	292
Department of Agriculture:						
Commodity Credit Corporation.....	154	56	52	<sup>2</sup> 2,418	<sup>2</sup> 3,526	<sup>2</sup> 3,985
Farmers Home Administration.....	115	306	<sup>3</sup> 851	132	18	106
Other.....	41	<sup>4</sup> 58	<sup>4</sup> 52			
Department of Commerce.....	129	178	205	300		
Department of Defense—Military.....	19	21	21			
Department of Defense—Civil (Panama Canal Company).....	6	5	7	10	10	10
Department of Health, Education, and Welfare.....	3	4	6			
Department of Housing and Urban Development:						
College housing loans.....	79	79	79	892	951	<sup>5</sup> 1,463
Urban renewal fund.....	393	1,145	1,473	3,855	3,430	3,430
Federal National Mortgage Association.....	37	153	<sup>6</sup> 457	4,779	4,807	<sup>6</sup> 4,979
Federal Housing Administration.....	987	678	702	223	415	499
Public Housing Administration.....	89	103	112	1,500	1,500	1,500
Other.....	301	446	496	956	930	<sup>7</sup> 983
Department of the Interior:						
Existing legislation.....	48	34	31	16	5	
Proposed legislation.....		120	115			
Department of Labor.....	303	305	309			
Post Office Department.....	501	545	627			
Treasury Department.....	*	*	*			
General Services Administration.....	*	*	*			
Veterans Administration.....	700	1,509	1,828	266	205	145
Other independent offices:						
Export-Import Bank of Washington.....	3	3	230	5,487	5,968	6,000
Loans to Federal Deposit Insurance Corporation.....				3,000	3,000	3,000
Loans to Federal home loan banks.....				1,000	1,000	1,000
Federal Savings and Loan Insurance Corporation.....	1,321	1,583	1,934	750	750	750
Small Business Administration.....	267	<sup>8</sup> 628	<sup>8</sup> 960			
Tennessee Valley Authority.....	34	52	49	430	355	280
Other.....	142	153	161	22	21	21
Total.....	8,675	11,515	14,240	26,280	27,235	28,643

\* Less than one-half million dollars.

<sup>1</sup> Includes adjustment of -\$12,175 thousand for unexpended balances of funds transferred from the appropriation "Removal of surplus agricultural commodities (sec. 32)."

<sup>2</sup> Includes unfunded balance of contract authority of \$1,029,019 thousand in 1965, \$1,773,963 thousand in 1966, and \$708,281 thousand in 1967.

<sup>3</sup> Includes cash of \$549 million from sale of certificates of participation under proposed legislation.

<sup>4</sup> Includes cash of \$20,360 thousand in 1966, and \$15,234 thousand in 1967 under proposed legislation to establish a revolving fund for consumer protective, marketing, and regulatory programs.

<sup>5</sup> Includes \$501 million from sale of certificates of participation under proposed legislation.

<sup>6</sup> Cash includes \$252,993 thousand and undrawn authorizations include -\$66,735 under proposed legislation to sell participations.

<sup>7</sup> Includes \$77,700 thousand from sale of participations under proposed legislation for public facility loans.

<sup>8</sup> Includes the net effect on cash because of sale of participations under proposed legislation.

In most cases, a large part of the balances are obligated or reserved—to pay loan commitments, purchase and construction contracts, or other obligations entered into but on which the other party has not yet required or earned the money. The balances include inactive “standby” authority for loans to the Federal Deposit Insurance Corporation, the home loan banks, and the Federal Savings and Loan Insurance Corporation. Also included is an unused balance for the never-activated Federal Flood Indemnity Administration (HUD).

## TRUST FUNDS

The trust funds are administered in a fiduciary capacity by the Government. They are not included in the administrative budget totals, and transactions between the general fund and the trust funds are conducted “at arm’s length”—that is, payments between them are reported as expenditures and receipts of the funds involved.

*Expenditures and receipts.*—Trust fund expenditures are estimated to be \$37.9 billion in 1967, with receipts of \$41.6 billion, as shown in table B-4. The transactions of the Federal old-age and survivors insurance fund are somewhat more than half of the totals.

Table B-4. EXPENDITURES AND RECEIPTS OF TRUST FUNDS  
(in millions of dollars)

Description	Expenditures			Receipts		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Federal old-age and survivors insurance trust fund.....	15,962	18,848	19,877	16,417	17,502	21,113
Federal disability insurance trust fund.....	1,498	1,940	1,942	1,241	1,532	2,110
Federal hospital insurance trust fund.....		53	2,426		856	2,731
Federal supplementary medical insurance trust fund.....			899			1,104
Unemployment trust fund.....	3,130	2,890	2,947	4,132	3,912	3,923
Railroad retirement account.....	1,185	1,240	1,274	1,342	1,412	1,584
Federal employees funds.....	1,410	1,617	1,744	2,674	2,780	2,861
Highway trust fund.....	4,026	3,970	4,080	3,670	3,864	4,381
Veterans life insurance funds.....	616	543	672	711	721	723
Federal national mortgage association trust funds.....	91	1,400	500			
Other trust funds.....	1,189	1,753	1,767	1,500	1,755	1,844
Deposit funds.....	-210	-166	-48			
Interfund transactions (table 14, note).....	-638	-793	-767	-638	-795	-767
Subtotal.....	28,258	33,293	37,313	31,047	33,539	41,608
Government-sponsored enterprises.....	1,379	493	569			
Total.....	29,637	33,786	37,882	31,047	33,539	41,608

The trust funds include a small group of trust revolving funds (see table B-5) which, like the public enterprise funds, are stated on a net expenditure basis in figures used elsewhere in the budget. The Secondary market operations fund of the Federal National Mortgage Association is the most significant in this group.

Table B-5. TRANSACTIONS OF TRUST REVOLVING FUNDS (in millions of dollars)

Description	Gross expenditures			Applicable receipts		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Civil Service Commission (employees' life insurance and health benefits).....	651	712	741	688	719	799
Federal National Mortgage Association.....	459	1,760	1,314	368	360	814
All other trust revolving funds.....	220	197	101	389	42	38
<b>Total trust revolving funds.....</b>	<b>1,330</b>	<b>2,668</b>	<b>2,156</b>	<b>1,444</b>	<b>1,121</b>	<b>1,651</b>
Receipts from the public.....				(797)	(892)	(1,053)
Receipts from other accounts.....				(647)	(229)	(598)

*Treasury financing.*—The principal financing provided by the general fund to the trust funds is interest paid on public debt investments of the trust funds. The Government also contributes, as employer, to the employee retirement funds, and under recent legislation, it contributes to the supplementary medical insurance and hospital insurance funds. Such payments are shown in table A-3 in the special analysis, "Three Measures of Federal Financial Transactions."

*Balances available.*—Trust fund balances with the Treasury and U.S. securities are shown in table B-6. These balances are reserved to carry out the purposes of the trust.

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

Description	As of June 30			
	1964 actual	1965 actual	1966 estimate	1967 estimate
Federal old-age and survivors insurance trust fund.....	19,726	20,180	18,835	20,071
Federal disability insurance trust fund.....	2,264	2,007	1,599	1,768
Federal hospital insurance trust fund.....			803	1,108
Federal supplementary medical insurance trust fund.....				205
Unemployment trust fund.....	6,859	7,861	8,882	9,858
Railroad retirement account.....	3,859	4,016	4,188	4,498
Federal employees funds.....	14,844	16,108	17,271	18,388
Highway trust fund.....	641	285	179	480
Veterans life insurance funds.....	6,779	6,874	7,053	7,104
Federal National Mortgage Association trust fund.....	13	20	8	8
All other trust funds.....	1,420	1,732	1,731	1,807
Deposit funds.....	2,334	2,544	2,710	2,759
<b>Total.....</b>	<b>58,739</b>	<b>61,627</b>	<b>63,259</b>	<b>68,054</b>
Balances available on an authorization basis (table 10).....	70,377	73,501	74,392	78,861
Unappropriated receipts:				
Available as needed on an indefinite basis.....	56	36	25	25
Available for appropriation by Congress:				
District of Columbia.....	-118	-133	-116	-117
United States Soldiers' Home.....	105	107	108	105
Highway trust fund.....	438	209	175	393
Unfinanced contract authorization.....	-10,041	-9,982	-10,404	-10,694
Undrawn authorizations to borrow.....	-2,077	-2,112	-919	-519
<b>Balances available on a cash basis.....</b>	<b>58,739</b>	<b>61,627</b>	<b>63,259</b>	<b>68,054</b>

The trust fund balances are affected by the transactions as follows (in millions of dollars):

	1965	1966	1967
Balances, start of year.....	58,739	61,627	63,259
Receipts.....	31,047	33,539	41,608
Borrowing from the public, net.....	99	1,387	500
Total available.....	89,885	96,553	105,367
Expenditures (excluding Government-sponsored enterprises).....	28,258	33,293	37,313
Balances, end of year.....	61,627	63,259	68,054
Total application and balances.....	89,885	96,553	105,367

#### GOVERNMENT-SPONSORED ENTERPRISES AND ANNEXED BUDGETS

This budget includes with the trust fund expenditures certain transactions of five Government-sponsored enterprises, stated on a net basis. The transactions thus reported relate to investments in U.S. securities and debt issuance for which the Treasury acts as fiscal agent; amounts equal to the net debt issuance or net disinvestments of such enterprises are used as an estimate of net expenditures.

The budget appendix includes detailed budget statements with respect to seven self-supporting activities. All of the seven are Federal activities. Three of the Government-sponsored enterprises are in the annexed budget group. The other two—the Federal land banks and the Federal home loan banks—are privately owned and have been omitted from annexed budget coverage.

The principal volume of business in this group consists of loans made by two mixed-ownership banking systems. The Federal intermediate credit banks—in which the Government interest is still somewhat over half of the capital—are expected to continue a loan business of over \$5 billion a year. The Banks for cooperatives—in which the Government interest has declined to less than a third of the capital—will make loans of about \$1.5 billion a year. Repayments of loans to these enterprises are nearly as large.

Estimates for the Exchange Stabilization Fund of the Treasury for 1966 and 1967 are not available, except for administrative expenses. Therefore, this title shows only the actual 1965 expenditures and receipts of that fund. Table B-7 summarizes the expenditures and receipts of these annexed budgets.

Table B-7. EXPENDITURES AND APPLICABLE RECEIPTS OF ACTIVITIES COVERED BY ANNEXED BUDGETS (in millions of dollars)

Description	Gross expenditures			Applicable receipts		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Milk Marketing Administration.....	13	13	13	13	13	13
Comptroller of the Currency.....	17	19	20	19	20	21
Exchange Stabilization Fund.....	113	( <sup>1</sup> )	( <sup>1</sup> )	54	( <sup>1</sup> )	( <sup>1</sup> )
Board of Governors of Federal Reserve System.....	9	9	10	9	9	10
Banks for Cooperatives.....	1,371	1,465	1,609	1,188	1,391	1,524
Federal Intermediate Credit Banks.....	5,356	5,451	5,888	5,194	5,252	5,676
Federal Deposit Insurance Corporation.....	23	3	6	204	222	231
Total.....	6,903	6,960	7,546	6,680	6,906	7,475

<sup>1</sup> Not available.

## OTHER EXCLUSIONS FROM ADMINISTRATIVE BUDGET RECEIPTS

The law permits certain collections to be credited as reimbursements to general fund appropriations. Such collections from outside the administrative budget accounts are identified in the detailed schedules of the budget appendix as reimbursements from "non-Federal sources," distinguishing them from reimbursements within the administrative budget sector. The intragovernmental revolving and management funds also have some receipts from outside the Government. Table B-8 reflects the estimated amount of such collections which are credited to appropriations or to intragovernmental funds.

Most of the collections reported here are for the sales of supplies and materials from the Department of Defense stock funds to authorized outside parties. Two Veterans Administration life insurance trust funds receive credits from optional income settlements and other similar adjustments, also reflected in this table.

Table B-8. REIMBURSEMENTS FROM NONFEDERAL SOURCES TO APPROPRIATIONS AND INTRAGOVERNMENTAL FUNDS (in millions of dollars)

Description	1965 actual	1966 estimate	1967 estimate
Funds appropriated to the President.....	8	5	5
Department of Agriculture.....	23	25	25
Department of Commerce.....	2	2	2
Department of Defense:			
Military.....	1,618	1,709	1,757
Civil.....	11	11	11
Department of Health, Education, and Welfare.....	33	35	138
Department of the Interior.....	59	60	60
Department of Justice.....	3	3	4
Department of State.....	2	3	2
Treasury Department.....	33	35	33
Atomic Energy Commission.....	77	109	94
Federal Aviation Agency.....	3	3	3
General Services Administration.....	4	10	10
National Aeronautics and Space Administration.....	7	10	12
Veterans Administration.....	2	2	2
Other independent agencies.....	*	2	9
Trust funds.....	184	186	188
<b>Total.....</b>	<b>2,070</b>	<b>2,209</b>	<b>2,353</b>

\*Less than one-half million dollars.

## GROSS EXPENDITURES OF THE GOVERNMENT

Table B-9 gives gross expenditures, on a checks-issued basis for all Government-administered funds, except deposit funds; the latter are excluded since they are for the most part suspense accounts.

The increase of nearly \$30 billion from 1965 to 1967 is largely for two functions—about \$11 billion for national defense, in part due to the buildup relating to Vietnam; and slightly over \$11 billion for health, labor, and welfare, mostly due to health service for the aged and the increased expenditures from social economic trust funds.

Table B-9. GROSS EXPENDITURES OF GOVERNMENT-ADMINISTERED FUNDS (in millions of dollars)

Function	1965 actual	1966 estimate	1967 estimate
National defense.....	52,554	59,374	63,446
International affairs and finance.....	5,041	5,229	5,589
Space research and technology.....	5,100	5,610	5,313
Agriculture and agricultural resources.....	16,659	16,481	16,838
Natural resources.....	3,143	3,408	3,588
Commerce and transportation.....	12,286	12,535	12,745
Housing and community development.....	2,641	4,639	3,983
Health, labor, and welfare.....	27,721	33,577	38,851
Education.....	1,601	2,372	3,799
Veterans benefits and services.....	6,982	7,259	7,488
Interest.....	9,665	10,281	10,884
General government.....	2,389	2,468	2,577
Undistributed—special allowances.....		75	350
Total.....	145,784	163,310	175,451
The total is derived as follows:			
Administrative budget expenditures (table 14).....	96,507	106,428	112,847
Trust fund expenditures (tables 14 and B-4):			
Total of such transactions.....	29,637	33,786	37,882
Elimination of deposit funds included in total.....	210	166	48
Intragovernmental transactions (table A-3):			
Trust fund payments to the administrative budget.....	-194	-114	-105
Administrative budget payments to trust funds.....	-3,063	-3,301	-4,318
Receipts from the public netted in conventional totals:			
Receipts of public enterprise funds (table B-1).....	14,297	16,776	18,714
Receipts of trust revolving funds (table B-5).....	797	892	1,053
Reimbursements to appropriations and intragovernmental funds (table B-8).....	2,070	2,209	2,353
Substitution of annexed budgets:			
Gross expenditures of annexed budgets (table B-7).....	6,903	6,960	7,546
Elimination of net expenditures of Government-sponsored enterprises (included in table B-4).....	-1,379	-493	-569
Total.....	145,784	163,310	175,451

## BORROWING OTHER THAN FROM THE GENERAL FUND

The Tennessee Valley Authority has authority to borrow \$750 million from the public. The Federal Housing Administration has an indefinite authorization to issue short-term debentures in connection with its settlements. The Federal National Mortgage Association trust revolving fund has authority to issue its own debt instruments in an amount equal to 10 times the aggregate of its capital and retained earnings. A few funds in liquidation are retiring earlier debt issuances. Government-sponsored enterprises also have their own borrowing authority. Some Government enterprise debt is guaranteed by the Treasury; some is not formally guaranteed. Borrowing and repayments pursuant to these authorities are shown in table B-10.

A small portion of such borrowing is from other funds such as the sale of Federal Housing Administration debentures to Federal National Mortgage Association; the larger part is from the public and in effect reduces the Treasury borrowing from the public (see table 11 of part 2).

Table B-10. DEBT ISSUANCES BY GOVERNMENT ENTERPRISES (OTHER THAN BORROWING FROM THE GENERAL FUND) (in millions of dollars)

Description	1965 actual	1966 estimate	1967 estimate	End 1967, estimate outstand- ing
<b>Borrowing from the public:</b>				
By public enterprise funds:				
Federal Housing Administration <sup>1</sup> .....	-203	-153	-143	134
Federal Farm Mortgage Corporation <sup>1</sup> .....	*	*	*	*
Home Owners Loan Corporation <sup>1</sup> .....	*	*	*	*
Tennessee Valley Authority.....	45	70	100	395
By trust funds:				
District of Columbia Armory Board.....				20
Federal National Mortgage Association.....	99	1,387	500	3,685
By Government-sponsored enterprises:				
Banks for cooperatives.....	185	52	72	807
Federal intermediate credit banks.....	131	127	182	2,755
Federal land banks.....	561	326	301	4,132
Federal home loan banks.....	547	246	303	5,299
Total, borrowing from the public.....	1,366	2,055	1,315	17,228
<b>Borrowing from other funds:</b>				
By public enterprise funds:				
Federal Housing Administration.....	-20	-39	-11	89
Federal National Mortgage Association.....	-1			
By Government-sponsored enterprise funds:				
Banks for cooperatives.....	4	18	8	30
Federal intermediate credit banks.....	16	74	30	121
Federal land banks.....	-2	-26	-1	1
Federal home loan banks.....	9	-3	-3	3
Total, borrowing from other funds.....	6	25	23	244
Total, debt issuances by Government enter- prises.....	1,372	2,079	1,338	17,472

Note.—Negative figures represent net retirement of debt.

\* Less than one-half million dollars.

<sup>1</sup> Guaranteed by the Treasury (except for a small part of the HOLC obligations).

#### INVESTMENTS IN U.S. SECURITIES

A few public enterprise funds, a substantial number of trust funds and the Government-sponsored enterprises may purchase Treasury bonds or notes for investments. In addition, several funds acquire some of the debt issued by Government enterprises, and the Federal Housing Administration acquires some of its own debentures as investments. These investment transactions in securities issued by the Government or its agencies are shown in table B-11.

The public debt bought by the various funds enters into the computation of the debt as shown in table 11 of part 2.

Table B-11. PURCHASES OF U.S. SECURITIES BY GOVERNMENT-ADMINISTERED FUNDS (in millions of dollars)

Description	Transactions			End 1967, estimate out-standing
	1965 actual	1966 estimate	1967 estimate	
<b>Investment in Treasury issuances (public debt):</b>				
By public enterprise funds:				
Housing and Urban Development:				
Liquidating programs		3		3
Federal Housing Administration	-195	-120	3	469
Public Housing Administration	-17	5		12
Federal National Mortgage Association	6	31	13	50
Federal Savings and Loan Insurance Corporation	207	261	351	1,925
Small Business Administration		5		5
Veterans Administration	29	28	38	218
Maritime Administration	*	*	2	7
By trust funds:				
Federal old-age and survivors insurance trust fund	461	-1,443	1,200	18,523
Federal disability insurance trust fund	-263	-432	164	1,608
Federal supplementary medical insurance trust fund			174	174
Federal hospital insurance trust fund		790	296	1,086
Unemployment trust fund	967	1,003	976	9,764
Railroad retirement account	149	174	307	4,396
Federal employees' funds	1,251	1,156	1,106	18,236
Highway trust fund	-344	-105	-90	70
Veterans life insurance funds	103	204	51	7,098
District of Columbia municipal government funds	-9	2	3	59
All other	-8	29	4	60
By Government-sponsored enterprises:				
Federal Deposit Insurance Corporation	180	220	223	3,560
Banks for cooperatives	*	1		45
Federal intermediate credit banks	-2	*		110
Federal land banks	-2			99
Federal home loan banks	-104	101	100	1,900
By Exchange stabilization fund	-60			257
Total, investments in Treasury issuances	2,349	1,912	4,921	69,734
<b>Investments in issuances of other funds:</b>				
By public enterprise funds:				
Federal Housing Administration	2	-25	-11	90
Federal National Mortgage Association	-4	85	38	150
By trust funds:				
Federal National Mortgage Association	1	-6		
Veterans Administration	*	-25		
District of Columbia municipal government funds	7	-4	-4	4
Total, investments in issuances of other funds	6	25	23	244
Total, investments in U.S. securities	2,355	1,936	4,944	69,978

Note.—Negative figures represent net reduction of investments.

\*Less than one-half million dollars.

## SPECIAL ANALYSIS C

### CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

Following 3 successive years of relatively stable Federal civilian employment, the buildup of military support for Vietnam operations, coupled with the conversion of military to civilian positions in the Department of Defense and rising postal and other workloads, will cause Federal employment to rise in fiscal years 1966 and 1967. Every agency head has been directed to keep the work force at minimum levels by eliminating functions, consolidating operations, closing unnecessary offices and installations, and abolishing vacancies. In order for this program to achieve maximum results, primary attention is being given to controlling employment in full-time permanent positions.

#### FULL-TIME PERMANENT CIVILIAN EMPLOYMENT

Vigorous action by agency managers to carry out the frugality and manpower control directives of the President has resulted in maintaining the same level of permanent full-time civilian employment for the past 3 years—approximately 2,230,000.

The 1967 budget estimates that by June 1966 civilian employment in full-time permanent positions will be 2,365,000. Since the 1966 budget was originally submitted last January, two major factors have led to an increase in end-of-year civilian employment estimates:

*First*, the increased Defense and foreign assistance activities associated with the heightened conflict in Vietnam, requiring a rise of 79 thousand civilian employees;

*Second*, a series of management improvements which reduce Government costs—chiefly a reduction in Post Office overtime and the conversion of a number of Defense Department positions from military to civilian occupancy. These cost reduction actions will save money but require, in 1966, the substitution of 66 thousand civilian employees for other higher-cost employment services.

Aside from employment increases for these two purposes, civilian employment at the end of June 1966 is estimated to be 20 thousand lower than projected in last January's budget.

Approximately 56% of all Federal civilian full-time permanent employment for June 1967, other than for Defense military activities, will be in three agencies: Post Office, Veterans Administration, and Health, Education, and Welfare. Another 22% is found in Agriculture, Treasury, Interior, Commerce, and the General Services Administration. The remaining 22% is accounted for by more than 60 smaller agencies of the Government. Estimated civilian employment for the military activities of the Department of Defense, includ-

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

Agency	As of June				Increase 1967 over 1966
	1965 actual	1966 estimate		1967 estimate	
		In 1966 budget	Current		
Post Office Department.....	461,211	458,134	481,250	500,000	18,750
Department of Health, Education, and Welfare.....	81,741	88,094	92,500	99,010	6,510
Veterans Administration.....	147,007	149,331	145,700	150,850	5,150
Department of the Interior.....	56,716	58,000	57,540	59,500	1,960
Department of Agriculture.....	80,103	82,214	81,070	82,850	1,780
Department of Commerce.....	29,162	30,400	30,360	31,840	1,480
Treasury Department.....	83,494	89,400	85,000	86,200	1,200
Department of Housing and Urban De- velopment.....	13,427	14,458	14,300	15,350	1,050
General Services Administration.....	35,370	38,450	35,750	36,750	1,000
Agency for International Development....	14,713	15,528	14,900	15,750	850
Employment in other civilian agencies....	255,141	264,805	258,130	260,600	2,470
Allowance for contingencies.....		2,030	1,900	4,800	2,900
Subtotal.....	1,258,085	1,290,844	1,298,400	1,343,500	45,100
Department of Defense, Military and military assistance.....	974,668	950,287	1,067,000	1,073,000	6,000
Total.....	2,232,753	2,241,131	2,365,400	2,416,500	51,100

ing military assistance, is 44% of the total full-time permanent employment for June 1967.

The most significant changes for 1967 compared with 1966 are shown in table C-1. Of the total increase of 45,100 for the civilian activities of the Government, 18,750 or 42% is for the Post Office, and 6,510 or 14% is for the Department of Health, Education, and Welfare.

Most of the added Post Office employment is to reduce still further the large amount of overtime which many postal employees have often been working, in some cases making their total workweek as much as 70 hours. An estimated 4.5% increase in mail volume, offset by a continued advance in productivity, accounts for the remaining increase in postal employment.

Almost 60% of the 1967 increase in employment for the Department of Health, Education, and Welfare is attributable to recently enacted legislation for hospital insurance for the elderly, and aid to elementary, secondary, and higher education. The remaining 40% is principally for water pollution control, direct medical care in Public Health and Indian hospitals, and increased surveillance over dangerous drugs and other toxic substances. The Social Security Administration is achieving a productivity improvement of 2.5% per year, principally by automating the recomputation of benefits, with a saving of 1,742 man-years in fiscal year 1967. In addition—

- The increase in the Veterans Administration is principally to provide for the 82% rise in nursing home beds, the initiation and expansion of the use of new medical techniques in hospitals for veterans, and an improved quality of medical care for veterans.
- The growth in the Department of the Interior is chiefly to take care of education of Indians on Government reservations; support to the Office of Economic Opportunity for the Job Corps; new power facilities; the Northwest-Southwest intertie; and anticipated increase of about 7% in visitors to the national parks.
- The increase in the Department of Agriculture is mainly to provide for uncontrollable workload in meat and poultry inspections, expanded loan activities, and more visitors to the national forests; it also provides for support to the Office of Economic Opportunity, and for expansion of resource development projects.
- The increase in Treasury is primarily for rising workloads in Internal Revenue operations due to an increase in the number of tax returns of 1.3%, and the accelerated efforts in the Bureau of the Mint to expand coin production, which will result in an increase in the number of coins minted by 35% over 1966. Were it not for anticipated improvements in productivity a substantially larger number of employees would be required. The Bureau of Customs will handle a 5% increase in inspectional workload with a 1.6% increase in inspectors, an increase in productivity of 3.4%.
- Other increases are in the General Services Administration to meet greater workloads in the operation of additional public buildings, and supply support activities; in the Tennessee Valley Authority to provide for the operation of power units being completed and for construction for new water resource facilities; and in other agencies to meet requirements for expanded services.
- A decrease in employment for the Federal Aviation Agency will result from an increased productivity of 5% for airways facilities operation and maintenance and other economy measures.

The following summary breakdown of changes in civilian employment during 1967 indicates the major factors at work:

<i>Cost reduction; conversion of military to civilian positions and reductions in Post Office overtime</i> .....	31.1 thousand
<i>Increase in Post Office workloads</i> .....	7.8 thousand
<i>Increases in major Great Society Programs—health, labor, education, housing and community development, economic opportunity program, and aid to the needy</i> .....	8.7 thousand
<i>Veterans Administration, for improved medical services</i> .....	5.2 thousand
<i>All other</i> .....	--1.7 thousand

## TOTAL FEDERAL PERSONNEL

Almost nine-tenths of executive branch civilian employment consists of permanent full-time employees. The remainder is made up of temporary, part-time, and intermittent workers needed for seasonal work and special assignments of short duration. In addition, the total of Federal Government personnel includes military as well as civilians. The grand total personnel of the executive branch was 5,183,000 in June 1965, and is estimated at 5,663,000 for June 1966, and 5,831,000 for June 1967. Employment of the legislative and judicial branches in June 1965 was about 32,000 in addition.

	<i>As of June</i>		
	<i>1965 actual</i>	<i>1966 estimate</i>	<i>1967 estimate</i>
Civilian employment in the executive branch:			
Permanent full time.....	2,232,753	2,365,400	2,416,500
Other than permanent full time.....	<sup>1</sup> 263,337	273,800	283,500
Military personnel:			
Department of Defense.....	2,653,142	2,987,343	3,093,109
Reimbursable details to other agencies.....	1,841	2,343	2,331
Treasury Department (Coast Guard).....	31,776	34,153	35,336
Total executive branch personnel.....	5,182,849	5,663,039	5,830,776
Legislative and judicial personnel.....	31,851		
Total.....	5,214,700		

<sup>1</sup> Includes 25,860 appointments under the President's youth opportunity campaign.

## GEOGRAPHICAL DISTRIBUTION OF CIVILIAN EMPLOYMENT

Table C-2 presents data on the geographical distribution of Federal employment. Most Federal employees—almost 83%—work in the various States. A little over 11% are located in the Washington, D.C., metropolitan area. An additional 6% are in foreign countries and in U.S. territories and possessions. Federal employment in foreign countries has decreased by 3,726 since 1960. This has benefited our balance-of-payments position, as well as reduced costs.

## PERSONNEL COMPENSATION AND BENEFITS

Estimates of the Federal payroll and related costs are shown in table C-3. Direct compensation includes regular pay, and special pay for overtime, holiday, and standby time, differentials for night-work and oversea duty, flight and hazardous duty, etc. Related personnel benefits include the Government's share of Federal retirement and old-age, survivors, and disability insurance costs; employees' life insurance, health insurance and benefits, and similar payments; cost-of-living and quarters allowances; uniform allowances (when paid in cash); and, in the case of the military personnel, allowances for subsistence, reenlistment bonuses, and certain other cash payments.

Table C-2. FEDERAL CIVILIAN EMPLOYMENT BY GEOGRAPHICAL LOCATION (as of June 1965)

Location	Total <sup>1</sup>	Location	Total <sup>1</sup>
Washington, D.C., metropolitan area	<sup>2</sup> 280,019	Ohio	93,764
Alabama	61,915	Oklahoma	45,806
Alaska	14,006	Oregon	21,518
Arizona	22,049	Pennsylvania	131,687
Arkansas	15,327	Rhode Island	12,997
California	251,375	South Carolina	24,596
Colorado	36,605	South Dakota	9,417
Connecticut	15,596	Tennessee	37,457
Delaware	3,584	Texas	124,386
Florida	55,044	Utah	29,101
Georgia	62,363	Vermont	3,157
Hawaii	23,044	Virginia <sup>3</sup>	70,736
Idaho	7,151	Washington	47,405
Illinois	101,315	West Virginia	11,725
Indiana	34,832	Wisconsin	22,410
Iowa	17,416	Wyoming	5,088
Kansas	20,470	Total United States	2,373,579
Kentucky	28,377	Outside United States:	
Louisiana	24,846	Territories and possessions	33,309
Maine	14,847	Foreign countries	<sup>4</sup> 121,053
Maryland <sup>3</sup>	51,194	Total outside United States	154,362
Massachusetts	61,129	Total employment	2,527,941
Michigan	45,780	Legislative and judicial	-31,851
Minnesota	26,866	Total employment, executive branch	2,496,090
Mississippi	18,172	Other than full-time permanent	-263,337
Missouri	55,339	Total, full-time permanent employment, executive branch	2,232,753
Montana	9,781		
Nebraska	15,593		
Nevada	7,133		
New Hampshire	4,437		
New Jersey	56,033		
New Mexico	24,534		
New York	177,187		
North Carolina	31,688		
North Dakota	7,282		

<sup>1</sup> Distribution by State is partially estimated.

<sup>2</sup> Includes 255,199 employees of the executive branch and 24,820 of the legislative and judicial branches.

<sup>3</sup> Excludes employment within the Washington, D.C., metropolitan area, which includes the District of Columbia, and the adjacent counties and cities in Maryland and Virginia.

<sup>4</sup> Includes 105,519 foreign nationals classified as Federal employees; excludes 130,451 foreign nationals working for Department of Defense under contract agreements, or other arrangements with foreign governments which provide for the furnishing of personal services.

The obligations to be incurred for civilian personnel compensation and benefits in 1967 are estimated at \$21.2 billion.

Some of the personnel are employed by trust funds (such as old-age and survivors insurance) and some are employed by public enterprise funds (such as the Post Office). After deducting for the costs of such employees, the remaining personnel costs are \$15.4 billion.

Table C-3. ESTIMATED PERSONNEL COMPENSATION AND BENEFITS

[Fiscal years. In millions of dollars]

Description	1965	1966	1967
<b>Total civilian personnel costs:</b>			
Direct compensation.....	17,450	18,900	19,600
Personnel benefits.....	1,400	1,500	1,600
<b>Total.....</b>	<b>18,850</b>	<b>20,400</b>	<b>21,200</b>
<b>Civilian personnel costs of trust funds:<sup>1</sup></b>			
Direct compensation.....	550	700	700
Personnel benefits.....	50	50	50
<b>Total.....</b>	<b>600</b>	<b>750</b>	<b>750</b>
<b>Civilian personnel costs of public enterprise funds (with their own receipts):</b>			
Direct compensation.....	4,200	4,500	4,700
Personnel benefits.....	300	350	400
<b>Total.....</b>	<b>4,500</b>	<b>4,850</b>	<b>5,100</b>
<b>Remaining personnel costs (i.e., excluding trust and public enterprise funds):</b>			
Direct compensation.....	12,700	13,700	14,200
Personnel benefits.....	1,050	1,100	1,150
<b>Total.....</b>	<b>13,750</b>	<b>14,800</b>	<b>15,350</b>
<b>MEMORANDUM</b>			
<b>Total military personnel costs:<sup>2</sup></b>			
Direct compensation.....	8,800	10,000	10,900
Personnel benefits.....	2,750	3,000	3,200
<b>Total.....</b>	<b>11,550</b>	<b>13,000</b>	<b>14,100</b>

<sup>1</sup> Includes annexed budget agencies.<sup>2</sup> Excludes Reserve components.

Government pay scales for "blue collar" workers have for many years been subject to administrative adjustment to correspond to pay for comparable work in private industry; as wages in private industry advanced, Federal compensation for such workers also increased.

Pay for most other Federal workers has been set by statute. In 1962, the Congress adopted the principle of comparability with private industry pay for the same work levels, and in pay scale changes effective in October 1962, January 1964, July 1964, and October 1965, significant progress has been made toward the achievement of comparability. The compensation figures reflect such changes, as well as changes in the number of employees.

Special efforts were made last year, and again in the preparation of this budget, to hold down unwarranted escalation in average grades and salaries. In 1965, for the first time in a long period, there was no Government-wide change in average grade of Classification Act employees. Average salaries showed only a slight advancement (apart from changes in pay scales), mostly due to within-grade salary advancements and reclassifications of new positions in certain agencies.

## CHANGE IN POSITION STRUCTURE

Changes have taken place in the position structure as a result of changes in the character of the Government's workload and in the employee skills required to deal with it. For example, between 1954 and 1965, greater specialization and emphasis on research and development led to an increase of 53% in the number of engineers in the Federal service, and 83% in the number of physical scientists. During this period, the Government's need for professional medical personnel rose 31% and for biological scientists, 46%. At the same time, the expanded efforts to reduce employment and to increase productivity—in many cases by shifting from manual to semiautomatic or automatic processing methods—decreased the need for unskilled employees.

A recent analysis made by the Civil Service Commission shows the following changes in position structure of Classification Act employees between 1961 and 1965:

- Reduction in percentage of clerical and aide jobs (GS-1 to GS-6) from 53.2% to 47.3% of total employment.
- Increase in percentage of professional, technical, and administrative jobs (GS-7 to GS-15) from 46.7% to 52.4% of total employment.
- Increase in GS-16 to GS-18 jobs from 0.1 to 0.3% of total employment.

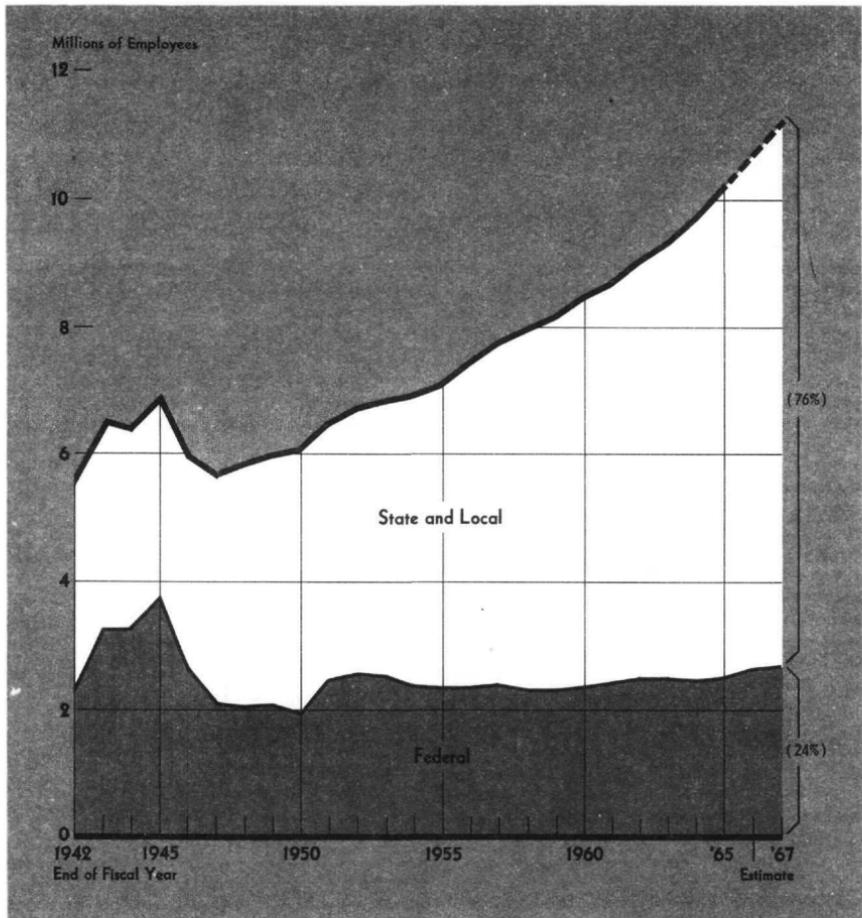
During this period many new programs were initiated and ongoing programs were reoriented in scope and complexity with a resulting greater need for higher level professional and technical personnel. Continued vigilance is being exercised to assure that Federal agencies do not adopt topheavy organization and position structures.

## TRENDS IN NUMBERS OF EMPLOYEES AND WORKLOAD

With the continued growth in population, in national income, and in economic activity generally, there has been a concomitant growth in the volume of public services which the Government is called upon to render. In the fiscal year 1967, for example, the participants in the food stamp program will rise 44%; the square nautical miles surveyed by the Coast and Geodetic Survey will increase 19%; the number of passport applications will rise 10%; coins minted will increase 35%; subsidized school lunches served will be up 6%; takeoffs and landings at airports served by Federal towers will increase 10%; establishments with Federal meat inspectors will rise 5%; the number of pieces of mail deposited in the post office will be up 4%; and customs inspections of packages will rise 4%. The staffing for new programs such as hospital insurance for the elderly, and increased demands for services can be accommodated only by increased productivity or additional workers, or a combination of both.

The continuing concerted effort to utilize Federal employees more effectively, to improve work methods and organization, and to utilize new techniques to achieve improvements in productivity have resulted in holding Federal employment to much lower levels than otherwise would have been possible.

## Government Civilian Employment



Over the past decade, in fact, total Federal civilian employment (including temporary and part time) has not risen in step with related factors. For example:

- In 1955, there were 14.3 Federal civilian employees for every 1,000 people in the Nation; in 1965, this number was reduced to 12.8. Excluding the buildup of civilian support for Vietnam operations by the Department of Defense, Federal employment per 1,000 population is expected to remain at approximately the 1965 level in both 1966 and 1967.
- In 1955, one out of every three public civilian employees worked for the Federal Government, and the other two for State or local government units. In 1965, this ratio was one out of four, and it will continue to drop.

A historical comparison of total Federal civilian employment in the executive branch (including temporary and part-time employment) with employment by State and local governments and U.S. population for 1942-67 is shown in table C-4.

Table C-4. GOVERNMENT EMPLOYMENT AND POPULATION, 1942-67

Year	Government employment				Population	
	Federal executive branch <sup>1</sup> (thousands)	State and local governments (thousands)	All governmental units (thousands)	Federal as percent of all governmental units	Total United States (thousands)	Federal employment per 1,000 population
1942	2,272	3,310	5,582	40.7	135,361	16.8
1943	3,274	3,184	6,458	50.7	137,250	23.9
1944	3,304	3,092	6,396	51.7	138,916	23.8
1945	3,787	3,104	6,891	55.0	140,468	27.0
1946	2,666	3,305	5,971	44.6	141,936	18.8
1947	2,082	3,568	5,650	36.8	144,698	14.4
1948	2,044	3,776	5,820	35.1	147,208	13.9
1949	2,075	3,906	5,981	34.7	149,767	13.9
1950	1,934	4,078	6,012	32.2	152,271	12.7
1951	2,456	4,031	6,487	37.9	154,878	15.9
1952	2,574	4,134	6,708	38.4	157,553	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	<sup>2</sup> 2,371	6,073	8,444	28.1	180,684	13.1
1961	2,407	6,295	8,702	27.7	183,756	13.1
1962	2,485	6,533	9,018	27.6	186,656	13.3
1963	<sup>3</sup> 2,490	6,834	9,324	26.7	189,417	13.1
1964	<sup>3</sup> 2,469	7,236	9,705	25.4	192,119	12.9
1965	2,496	7,659	10,155	24.6	194,583	12.8
1966 (estimated) <sup>4</sup>	2,639	-----	-----	24.6	-----	13.4
1967 (estimated) <sup>4</sup>	2,700	-----	-----	24.0	-----	13.6

<sup>1</sup> Covers total end-of-year employment in full-time permanent, temporary, part-time, and intermittent positions.

<sup>2</sup> Includes piece-rate census workers employed for the decennial census.

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

<sup>4</sup> An official projection of population and of State and local government employment for 1966 and 1967 is not available. The percentages and ratios shown for these years are consistent with a range of reasonable estimates based on recent trends in population and State and local employment.

## SPECIAL ANALYSIS D

### INVESTMENT, OPERATING, AND OTHER EXPENDITURES

This analysis is designed to contribute to a greater understanding of Government activities by dividing Federal administrative budget and trust fund expenditures into several categories: (1) additions to Federal assets; (2) additions to State, local, and private assets; (3) developmental expenditures; (4) current expenses for aids and special services; (5) retirement and social insurance benefits (trust funds only); (6) other services and current operating expenses; and (7) unclassified (trust fund expenditures which do not properly belong in any of the other categories). In each category where applicable, national defense expenditures are reported separately from those for all other (civil) programs.

Basically, this analysis distinguishes between two types of expenditures: Those yielding benefits primarily in the future and those providing benefits largely in the year in which they are made. The former are essentially outlays of an investment nature while the latter are principally current expenses for aids, special services, and social insurance benefits. Expenditures yielding benefits over a period of years are shown in the first three classes, while outlays providing mainly current benefits are grouped in the remaining categories.

Expenditures from administrative budget funds are shown separately from trust funds in tables D-1 and D-2. The sum of the budget and trust fund totals is greater than the total of cash payments to the public primarily because there are intragovernmental transactions.

1. *Additions to Federal assets.*—This category includes administrative budget expenditures for direct loans, such as loans to finance private housing construction and encourage home ownership, to help small businesses, to finance college dormitory construction, to aid farm ownership and operation, to finance rural electric and telephone systems, and to promote economic development abroad. (Most of these programs are included in the budget total on a net basis; that is, gross disbursements less receipts.) It also includes financial investments in certain international organizations and mixed-ownership enterprises. Expenditures for public works, for changes in major commodity inventories, for major equipment (including military equipment), and for the acquisition and improvement of real property and other physical assets are also covered.

Trust fund expenditures in this category consist primarily of mortgage purchases (net of sales) by the Federal National Mortgage Association in support of its secondary mortgage market operations, and net loans by two Government-sponsored enterprises—banks for cooperatives and the Federal intermediate credit banks.

Table D-1. SUMMARY OF INVESTMENT, OPERATING, AND OTHER EXPENDITURES (in millions of dollars)

Description	Administrative budget funds			Trust funds		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Additions to Federal assets:						
Civil:						
Loans and financial investments.....	1,873	67	-2,338	425	1,812	889
Physical assets.....	2,603	3,309	3,208	50	64	74
National defense.....	14,007	16,272	17,854			
Additions to State, local, and private assets:						
Civil.....	1,535	1,694	2,170	5,140	4,303	4,398
National defense.....	19	17	21	1	2	*
Developmental expenditures:						
Civil.....	8,084	10,502	12,538	72	77	81
National defense.....	7,884	8,045	8,090			
Subtotal, investment and developmental type expenditures:						
Civil.....	14,094	15,573	15,580	5,687	6,256	5,442
National defense.....	21,910	24,334	25,965	1	2	*
Current expenses for aids and special services:						
Civil.....	17,807	18,986	20,370	2,693	2,976	3,474
National defense.....	1,333	1,330	1,149	745	867	891
Retirement and social insurance benefits—civil.....				20,246	23,274	27,452
Other services and current operating expenses:						
Civil:						
Interest.....	11,435	12,104	12,854			
Other.....	3,878	3,777	3,865	-30	208	224
National defense.....	26,920	30,897	33,426	6	6	6
District of Columbia, deposit funds, and other unclassified items.....				928	992	1,158
Allowances and contingencies.....		75	350			
Interfund transactions.....	-870	-647	-712	-638	-795	-767
Grand total.....	96,507	106,428	112,847	29,637	33,786	37,882

\*Less than one-half million dollars.

2. *Additions to State, local, and private assets.*—Federal outlays under this heading add to State, local, and private assets. Grant-in-aid expenditures which augment 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 works, watershed protection projects, schools in federally affected areas, and public facilities under the area redevelopment program and the temporary accelerated public works program. Federal expenditures which increase the value of privately owned assets are largely for the conservation and improvement of private farmland and water, for grants to States for the building of private hospitals and other health facilities, and for construction subsidies to the merchant fleet. Trust fund expenditures in this category, in addition to the highway program, include the net loans made by the Federal land banks and the Federal home loan banks (Government-sponsored enterprises in which the Federal Government no longer holds any

capital stock); these loans strengthen lending institutions which promote farming and individual home ownership.

3. *Developmental expenditures.*—Federal expenditures of this type include outlays principally for research and development, education and health, and other programs which increase the Nation's fund of knowledge and technical skills and improve the physical vigor of the population. The total of Federal spending shown in this category does not fully reflect the Government's contribution to the productivity of the economy, since it excludes additions to physical assets, as well as certain other programs which further this end. The latter are classified in accordance with their principal purpose; thus, veterans educational benefits are listed as veterans aids rather than as developmental outlays. Similarly, the training of military personnel or other Government personnel is treated as an operating expense and not as part of the Government's education and training programs.

4. *Current expenses for aids and special services.*—Expenditures 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 realized losses of the Commodity Credit Corporation on its farm programs, maritime, operating subsidies, veterans pensions, and grants to foreign nations for economic and military assistance, this category includes (a) administrative and other operating expenses attributable to investment-type programs which benefit specific groups, and (b) 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 receives assets or collateral (as the acquisition of farm commodities by the Commodity Credit Corporation) are treated as additions to Federal assets. Many indirect Government aids are excluded from this classification either because they are not reflected in expenditures or cannot be readily measured. Examples of such indirect benefits include low interest rates on some loans and certain preferential tax treatments.

Although expenditures in this category essentially provide a direct aid or special service yielding immediate benefits, some of the outlays included contribute indirectly to the Nation's future development. Among these are grants for slum clearance and urban renewal.

5. *Retirement and social insurance benefits.*—This category applies only to trust funds. It covers benefit programs which (a) are financed from special taxes or contributions and (b) provide insurance against the loss of income due to unemployment, retirement, disability, or death. It does not include Government employees' health and life insurance expenditures, which are in the form of subscription and premium payments to approved private companies. It also excludes such noncontributory programs as public assistance grants, military retired pay, and veterans disability and death compensation and pensions which are financed through the administrative budget.

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

7. *Unclassified.*—Certain trust fund expenditures represent financial transfers to other trust or budget accounts and cannot be properly classified into any of the categories described above. Advances and repayments between the Railroad retirement account and the Unemployment trust fund (for railroad unemployment benefits) are examples of such transactions. This grouping also includes the expenditures of the District of Columbia which are for the most part locally financed, but are accounted for as a Federal trust fund. Deposit fund transactions (net) are also included here.

*Recoverability of expenditures.*—In general, Government expenditures 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 such activities are carried on through revolving funds, as in most loan programs, receipts are credited directly against the expenditures and only the difference is included in the expenditure total in the budget and in this analysis. In other cases, the returns are included as miscellaneous receipts to the Treasury rather than as offsets to expenditures.

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

*Comparison with capital accounting, budgeting, and funding.*—The purpose of this analysis is to provide a broad framework for understanding Federal expenditures, recognizing not only outlays to increase physical capital and financial assets, but also developmental expenditures which represent an investment in human capital. It does not distinguish precisely between capital and current items, although it does provide useful general magnitudes. Moreover, 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 only for transactions where the data will serve program and management needs, as in the case of the public enterprise funds. As a result, it is not possible to determine directly from this analysis the *net* addition to the value of federally owned assets.

This analysis is not a capital budget in the sense of a long-range program for the acquisition of assets, or a plan for separate financing of capital expenditures. Some foreign governments and some State and local governments fund a portion of their capital expenditures by separate borrowing and exclude most or all such expenditures from their computation of budget totals, except for annual charges to amortize these capital outlays over a number of years. The U.S. budget, on the other hand, treats outlays for investment items and for other purposes alike in computing the budget surplus or deficit.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds</b>			
<b>ADDITIONS TO FEDERAL ASSETS</b>			
<b>Loans:</b>			
<b>Civil:</b>			
To domestic private borrowers:			
Funds appropriated to the President: Economic opportunity program.....	17	30	25
Department of Agriculture:			
Commodity Credit Corporation: Price support, supply, and related programs.....	-303	-217	-1,309
Rural Electrification Administration.....	381	190	194
Farmers Home Administration:			
Direct loans.....	230	25	52
Agricultural credit insurance.....	17	7	-98
Rural housing insurance.....		32	-6
Emergency credit revolving fund.....	28	1	1
Participation sales.....			-560
Other.....		1	1
Department of Commerce: Economic development and other.....	48	41	47
Department of Health, Education, and Welfare:			
Higher education facilities construction.....	2	55	30
Defense educational activities.....	131	179	32
Public health service and other.....	16	28	3
Department of Housing and Urban Development:			
College housing loans.....	157	151	-318
Housing for the elderly or handicapped.....	43	56	69
Federal National Mortgage Association:			
Management and liquidating functions.....	-102	-289	-130
Special assistance functions.....	-371	-351	77
Government mortgage liquidation.....	-23	-88	-242
Participation sales.....			-390
Federal Housing Administration.....	-40	12	-35
Other.....	-3	3	14
Veterans Administration:			
Housing loans:			
Veterans direct loans.....	-107	-647	-206
Loan guarantee revolving fund.....	62	-134	-56
Other.....	3	2	2
Federal Home Loan Bank Board.....	29	24	-20
Small Business Administration: Revolving fund and other.....	232	-50	-410
Other agencies.....	2	3	1
<b>Total, to domestic private borrowers, civil.....</b>	<b>448</b>	<b>-936</b>	<b>-3,233</b>

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>ADDITIONS TO FEDERAL ASSETS—Continued</b>			
<b>Loans—Continued</b>			
<b>Civil—Continued</b>			
To State and local governments:			
Department of Health, Education, and Welfare: Office of Education.....		10	27
Department of Housing and Urban Development:			
College housing loans.....	69	93	-202
Public facility loans.....	38	22	-52
Urban renewal fund.....	47	18	22
Other.....	18	11	10
District of Columbia.....	21	13	46
Other agencies.....	31	45	42
Total, to State and local governments, civil.....	223	213	-106
To foreign borrowers:			
Funds appropriated to the President: Economic assistance.....	1,094	1,050	1,050
Department of State: Loan to the United Nations.....		17	
Export-Import Bank of Washington.....	-217	-399	-203
Total, to foreign borrowers, civil.....	876	668	846
Total, loans, civil.....	1,547	-55	-2,492
<b>National defense:</b>			
To domestic private borrowers: Other agencies.....			
	-4	-2	-2
To foreign borrowers: Funds appropriated to the President:			
Military assistance.....	27	-42	35
Total, loans, national defense.....	24	-44	33
Total, loans.....	1,570	-99	-2,459
<b>Other financial investments—civil:</b>			
Investments in quasi-public institutions, trust funds, and international institutions:			
Funds appropriated to the President:			
Economic assistance.....	67	50	50
Asian Development Bank.....		10	10
International Development Association.....	62		70
International Monetary Fund.....	259		
Department of Housing and Urban Development: Federal National Mortgage Association.....	-42	75	36
Other agencies.....	-19	-12	-12
Total, investments in quasi-public institutions, trust funds, and international institutions.....	326	122	154
<b>Public works—sites and direct construction:</b>			
<b>Civil:</b>			
Funds appropriated to the President:			
Economic opportunity program.....	17	78	30
Public works acceleration.....	33	*	
Department of Agriculture:			
Forest Service.....	100	104	120
Other.....	2	16	21

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>ADDITIONS TO FEDERAL ASSETS—Continued</b>			
<b>Public works—sites and direct construction—Continued</b>			
Civil—Continued			
Department of Defense—Civil:			
Corps of Engineers.....	896	967	1,000
Other.....	10	16	15
Department of Health, Education, and Welfare:			
Public Health Service.....	26	36	42
Other.....	10	15	32
Department of the Interior:			
Bureau of Indian Affairs.....	72	49	67
National Park Service.....	64	59	60
Bureau of Reclamation.....	246	236	219
Bonneville Power Administration.....	38	66	102
Other.....	38	50	44
Post Office Department.....	56	15	40
Department of State.....	17	26	29
Treasury Department:			
Coast Guard.....	28	18	40
Other.....	*	12	19
Federal Aviation Agency.....	81	67	77
General Services Administration: Public buildings.....	223	250	246
National Aeronautics and Space Administration.....	531	495	300
Veterans Administration: Hospitals and other.....	81	83	73
Tennessee Valley Authority.....	135	174	192
Other agencies.....	64	89	87
Total, public works, civil.....	2,773	2,924	2,859
National defense:			
Department of Defense—Military:			
Military construction.....	996	1,132	1,111
Family housing.....	149	150	35
Other.....	*	*	1
Atomic Energy Commission.....	206	175	160
Total, public works, national defense.....	1,351	1,458	1,307
Total, public works, sites and direct construction.....	4,125	4,381	4,166
<b>Major commodity inventories:</b>			
Civil:			
Department of Agriculture: Commodity Credit Corporation: Agricultural commodities.....	-446	-197	-88
Department of the Interior.....	13	17	20
Total, major commodity inventories, civil.....	-433	-180	-67
National defense:			
Funds appropriated to the President: Expansion of defense production.....	-73	-137	-182
Other agencies.....	30	16	13
Total, major commodity inventories, national defense.....	-43	-121	-169
Total, major commodity inventories.....	-476	-301	-236

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>ADDITIONS TO FEDERAL ASSETS—Continued</b>			
<b>Major equipment:</b>			
Civil:			
Post Office Department.....	54	60	61
Treasury Department: Coast Guard.....	28	56	40
Other agencies.....	25	38	30
Total, major equipment, civil.....	107	154	130
National defense:			
Department of Defense—Military.....	11,495	13,991	15,793
Atomic Energy Commission.....	159	165	145
Other.....	-1		
Total, major equipment, national defense.....	11,653	14,156	15,938
Total, major equipment.....	11,761	14,310	16,068
<b>Other physical assets—acquisition and improvement:</b>			
Civil:			
Funds appropriated to the President: Economic Opportunity Program.....	2	25	55
Department of Agriculture.....	25	25	25
Department of the Interior.....	52	70	67
Department of Housing and Urban Development: Federal Housing Administration and other.....	109	289	158
Veterans Administration.....	-50	-13	-34
Other agencies.....	17	16	16
Total, other physical assets, civil.....	156	411	286
National Defense:			
Department of Defense—Military.....	155	155	155
Atomic Energy Commission.....	867	669	590
Total, other physical assets, national defense.....	1,022	824	745
Total, other physical assets—acquisition and improvement.....	1,178	1,235	1,031
Total, additions to Federal assets.....	18,483	19,648	18,724
<b>ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS</b>			
<b>State and local assets:</b>			
Civil:			
Funds appropriated to the President: Public works acceleration.....	258	117	7
Department of Agriculture:			
Watershed protection.....	45	44	50
Other.....	14	46	42
Department of Commerce:			
Economic Development Administration.....	8	13	73
Office of Appalachian Assistance.....		3	16
Bureau of Public Roads: Forest highways and other.....	38	63	101
National Bureau of Standards.....		*	*

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued</b>			
<b>State and local assets—Continued</b>			
Civil—Continued			
Department of Health, Education, and Welfare:			
Vocational education.....	21	33	39
Higher education facilities.....		51	163
School construction in federally affected areas.....	29	35	30
Regional medical programs.....		5	35
Hospital construction activities.....	64	60	70
Waste treatment works construction.....	70	77	83
Other: Public health and other.....	5	19	62
Department of the Interior:			
Land and water conservation.....		38	46
Other.....	1	11	27
Federal Aviation Agency: Grants-in-aid for airports.....	71	65	60
Department of Housing and Urban Development:			
Open space land and urban beautification.....	6	18	29
Grants for basic water and sewer facilities.....		1	51
Urban mass transportation fund.....	10	21	52
Other.....		1	12
Other agencies.....	12	28	45
Total, State and local assets, civil.....	653	747	1,094
National defense: Department of Defense—Military.....	19	17	21
Total, State and local assets.....	672	764	1,116
<b>Private assets—civil:</b>			
Funds appropriated to the President: Public works acceleration.....	30	8	1
Department of Agriculture:			
Soil conservation.....	125	133	133
Agricultural stabilization and conservation.....	430	402	582
Commodity Credit Corporation.....	-3	33	-45
Other.....	1	1	1
Department of Commerce: Merchant ships and other.....	92	110	95
Department of Health, Education, and Welfare:			
Health educational facilities, construction.....		24	44
Private hospital construction.....	124	130	146
Health research facilities.....	33	37	40
Other.....	6	16	25
National Science Foundation.....	40	50	50
Other agencies.....	2	3	2
Total, private assets.....	882	947	1,075
Total, additions to State, local, and private assets.....	1,554	1,711	2,191

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>DEVELOPMENTAL EXPENDITURES</b>			
<b>Education, training, and health:</b>			
Civil:			
Funds appropriated to the President: Economic opportunity program.....	114	720	1,102
Department of Agriculture: Extension Service.....	85	90	90
Department of Health, Education, and Welfare:			
Office of Education:			
Vocational education.....	103	132	158
Payments to school districts.....	311	307	222
Defense educational activities.....	136	137	185
Higher education facilities construction.....	2	30	86
Grants for public libraries.....	25	25	27
Elementary and secondary educational activities.....		295	1,200
Higher educational activities.....		77	302
Other.....	53	69	85
Vocational Rehabilitation Administration.....	117	190	284
Public Health Service:			
Chronic diseases and health of the aged.....	47	59	63
Community health.....	43	64	96
National Institutes of Health.....	193	236	275
Indian health activities.....	62	67	72
Other.....	75	110	144
Water Pollution Control Administration.....	21	28	46
Welfare Administration:			
Grants, maternal and child welfare.....	110	169	210
Other.....	30	30	31
Other.....	13	14	16
Department of the Interior:			
Bureau of Indian Affairs: Education and welfare.....	84	89	96
Other.....	*	*	*
Department of Labor:			
Manpower development and training.....	230	279	282
Other.....	6	24	25
National Science Foundation.....	114	129	142
Other agencies.....	23	32	43
Total, education, training and health, civil.....	1,997	3,403	5,284
National defense: Atomic Energy Commission.....	17	17	19
Total, education, training, and health.....	2,013	3,420	5,303
<b>Research and development:</b>			
Civil:			
Funds appropriated to the President:			
Economic opportunity program.....	4	56	56
Other.....	7	6	6
Department of Agriculture:			
Agricultural Research Service.....	111	130	127
Cooperative State Research Service.....	47	56	48
Forest Service.....	30	32	34
Other.....	21	21	19
Department of Commerce:			
National Bureau of Standards.....	22	28	25
Other.....	23	34	54

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>DEVELOPMENTAL EXPENDITURES—Continued</b>			
<b>Research and development—Continued</b>			
Civil—Continued			
Department of Health, Education, and Welfare:			
Public Health Service:			
National Institutes of Health.....	523	705	769
Other.....	67	91	110
Office of Education.....	19	48	78
Water Pollution Control Administration.....	10	15	36
Other.....	31	40	48
Department of the Interior:			
Geological Survey.....	24	25	26
Bureau of Mines.....	24	24	26
Other.....	56	70	75
Federal Aviation Agency.....	93	125	155
National Aeronautics and Space Administration.....	4,555	5,097	4,993
Veterans Administration.....	37	42	43
National Science Foundation.....	147	178	226
Other agencies.....	53	64	79
Total, research and development, civil.....	5,902	6,888	7,030
National defense:			
Department of Defense—Military:			
Military personnel: Research and development.....	275	280	275
Procurement: Test and evaluation support.....	70	75	75
Research, development, test, and evaluation.....	6,236	6,370	6,400
Operation and maintenance.....	32	35	40
Other.....	10	10	10
Atomic Energy Commission.....	1,241	1,256	1,270
Military assistance.....	3	2	2
Total, research and development, national defense.....	7,867	8,028	8,071
Total, research and development.....	13,769	14,916	15,101
<b>Engineering and natural resource surveys—civil:</b>			
Department of Agriculture.....	21	24	26
Department of Commerce.....	25	27	24
Department of Defense—Civil.....	18	22	26
Department of the Interior:			
Geological Survey.....	44	43	45
National Park Service.....	28	32	34
Other.....	26	29	26
Other agencies.....	22	34	44
Total, engineering and natural resource surveys.....	185	211	224
Total, developmental expenditures.....	15,967	18,547	20,629
<b>CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES</b>			
<b>Agriculture—civil:</b>			
Department of Agriculture:			
Consumer and Marketing Service:			
Removal of surplus agricultural commodities.....	273	321	186
Other.....	18	16	13
Agricultural Stabilization and Conservation Service:			
Expenses.....	108	125	135
Sugar Act.....	92	94	85

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued</b>			
<b>Agriculture—civil—Continued</b>			
Department of Agriculture—Continued			
Commodity Credit Corporation and special export programs:			
Sales for foreign currencies.....	1,293	1,114	994
International Wheat Agreement.....	35	75	3
Transfer to supplemental stockpile.....	41	34	41
National Wool Act.....	23	38	47
Price support, supply, and related programs.....	3,399	2,670	3,565
Losses on long-term supply contracts.....	200	301	262
Other.....	9	-2	-2
Farmers Home Administration:			
Direct loans.....	-29	-29	-22
Salaries and expenses.....	41	49	51
Other.....	-3	-9	4
Other.....	87	87	92
Other agencies.....	21	21	-4
Total, agriculture.....	5,609	4,904	5,451
<b>Business:</b>			
Civil:			
Department of Commerce:			
Patent Office.....	30	33	35
Maritime Administration: Ship operating subsidies and other.....	226	197	186
Other.....	62	63	72
Department of Defense—Civil:			
Corps of Engineers: Operation and maintenance.....	113	128	126
Other.....	-3	-7	-9
Post Office Department.....	174	246	58
Treasury Department: Coast Guard: Navigation aids.....	258	258	291
Federal Aviation Agency: Operations.....	498	492	499
Civil Aeronautics Board: Payments to air carriers.....	80	79	73
Small Business Administration.....	11	5	86
Other agencies.....	17	37	28
Total, business, civil.....	1,466	1,531	1,443
National defense: Funds appropriated to the President: Expansion of defense production.....	134	14	36
Total, business.....	1,601	1,545	1,479
Labor—civil: Other agencies.....	24	28	32
<b>Homeowners and tenants—civil:</b>			
Department of Housing and Urban Development:			
Urban renewal.....	278	344	390
Government mortgage liquidation fund.....	-1	-14	-41
Federal Housing Administration.....	-182	-189	-238
Public housing.....	219	251	271
Other.....	5	2	29
Federal Home Loan Bank Board.....	-233	-286	-332
Other agencies.....	*	*	*
Total, homeowners and tenants.....	84	107	78

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued</b>			
<b>Veterans—civil:</b>			
Department of Health, Education, and Welfare: Payments for military service credits.....		105	105
<b>Veterans Administration:</b>			
Compensation and pensions.....	4,109	4,430	4,365
Readjustment benefits.....	49	43	132
General operating expenses.....	161	161	159
Hospitals and medical care.....	1,150	1,215	1,259
Veterans insurance programs.....	-9	-19	-37
Other.....	-1	13	16
Other agencies.....	25	7	21
<b>Total, veterans.....</b>	<b>5,486</b>	<b>5,954</b>	<b>6,021</b>
<b>International aids:</b>			
<b>Civil:</b>			
<b>Funds appropriated to the President:</b>			
Foreign economic assistance.....	875	994	1,096
Peace Corps.....	79	84	88
Department of Agriculture: Commodity Credit Corporation and special export programs: Emergency famine relief to friendly peoples.....	147	286	283
Export-Import Bank of Washington.....	-141	-133	-106
Other agencies.....	25	26	30
<b>Total, international aids, civil.....</b>	<b>986</b>	<b>1,258</b>	<b>1,390</b>
<b>National defense: Funds appropriated to the President—Military assistance.....</b>	<b>1,198</b>	<b>1,316</b>	<b>1,114</b>
<b>Total, international aids.....</b>	<b>2,185</b>	<b>2,573</b>	<b>2,503</b>
<b>Other aids and special services—civil:</b>			
<b>Funds appropriated to the President:</b>			
Disaster relief.....	43	150	43
Economic opportunity program.....	54	299	329
<b>Department of Agriculture:</b>			
Special milk program.....	87	89	37
Food stamp program.....	34	89	133
School lunch program.....	179	186	168
Other.....	*	*	
<b>Department of Health, Education, and Welfare:</b>			
Hospitals and medical care.....	52	56	58
Health insurance for the aged.....		26	833
Assistance for Cuban refugees.....	19	23	31
Public assistance.....	3,059	3,605	3,595
Other.....	33	41	54
Department of the Interior: Bureau of Indian Affairs.....	68	61	61
Post Office Department.....	512	548	582
Other agencies.....	10	31	30
<b>Total, other aids and special services.....</b>	<b>4,152</b>	<b>5,203</b>	<b>5,955</b>
<b>Total, current expenses for aids and special services.....</b>	<b>19,139</b>	<b>20,316</b>	<b>21,520</b>

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>OTHER SERVICES AND CURRENT OPERATING EXPENSES</b>			
<b>Repair, maintenance and operation of physical assets (excluding special services):</b>			
Civil:			
Department of Agriculture: Forest Service.....	143	179	148
Department of Defense—Civil: Corps of Engineers.....	110	84	87
Department of the Interior:			
Bureau of Land Management.....	29	27	26
National Park Service.....	25	28	30
Bureau of Reclamation.....	54	53	56
Southeastern Power Administration.....	1	-24	-25
Other.....	46	7	7
General Services Administration: Public buildings.....	269	257	266
Tennessee Valley Authority.....	-109	-151	-136
Other agencies.....	37	41	41
Total, repair, maintenance, and operation, civil.....	606	500	499
National defense:			
Department of Defense—Military:			
Operation and maintenance.....	12,317	14,125	14,940
Family housing.....	137	135	145
Atomic Energy Commission.....	136	109	116
Other agencies.....	*	*	*
Total, repair, maintenance, and operation, national defense.....	12,590	14,369	15,201
Total, repair, maintenance, and operation of physical assets.....	13,195	14,869	15,701
<b>Regulation and control:</b>			
The Judiciary.....	74	82	91
Department of Agriculture:			
Agricultural Research Service.....	97	68	61
Other.....	24	64	8
Department of Health, Education, and Welfare:			
Food and Drug Administration.....	33	39	48
Other.....	*	*	*
Department of Justice:			
Legal activities and general administration.....	65	69	72
Federal Bureau of Investigation.....	160	169	179
Immigration and Naturalization Service.....	72	75	75
Federal prison system.....	56	54	58
Department of Labor.....	28	29	30
Treasury Department:			
Bureau of Customs.....	78	80	84
Coast Guard.....	33	35	37
Other.....	15	19	20
Federal Aviation Agency.....	40	41	41
Interstate Commerce Commission.....	26	27	28
National Labor Relations Board.....	25	28	30
Other agencies.....	92	97	102
Total, regulation and control.....	920	980	965

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued</b>			
<b>Other operation and administration:</b>			
Civil:			
International activities:			
Department of State:			
Foreign affairs administration.....	195	185	191
International organizations and conferences.....	93	102	107
Educational exchange.....	54	53	52
Other.....	2	2	2
United States Information Agency.....	159	161	162
Foreign Claims Settlement Commission.....	35	2	2
Other agencies.....	3	4	4
Total, international activities.....	541	509	521
Federal financial activities:			
Treasury Department:			
Bureau of Accounts.....	32	31	33
Bureau of the Mint.....	15	27	35
Bureau of the Public Debt.....	50	50	51
Internal Revenue Service.....	587	606	630
Other.....	12	12	13
General Accounting Office.....	45	48	49
Other agencies.....	5	5	4
Total, Federal financial activities.....	746	780	814
Other direct Federal programs:			
Legislative branch.....	135	149	162
Department of Commerce:			
Environmental Science Services Administration.....	87	86	98
Other.....	12	6	7
Department of Defense—Civil.....	45	48	60
Treasury Department: Claims, judgments, and private relief acts.....	74	34	9
General Services Administration.....	101	70	94
Civil Service Commission.....	23	26	23
Other agencies.....	42	52	61
Total, other direct Federal programs.....	521	472	515
Retirement, unemployment, and accident compensation for Federal employees:			
Department of Labor:			
Unemployment compensation for Federal employees.....	122	100	100
Employees' compensation claims and expenses.....	53	46	40
Treasury Department: Coast Guard retired pay and Secret Service annuities.....	37	42	44
Civil Service Commission: Special payments and annuities.....	94	98	106
Other agencies.....	4	4	5
Total, retirement, unemployment, and accident compensation for Federal employees.....	310	289	296

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Administrative Budget Funds—Continued</b>			
<b>OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued</b>			
<b>Other operation and administration—Continued</b>			
<b>Civil—Continued</b>			
Shared revenues and grants-in-aid:			
Department of Agriculture: Forest Service.....	34	37	38
Department of the Interior:			
Bureau of Land Management.....	69	70	76
Other.....	35	38	37
Treasury Department.....	43	43	45
District of Columbia: Federal payment.....	38	39	39
Other agencies.....	16	22	18
Total, shared revenues and grants-in-aid.....	234	248	254
Total, other operation and administration, civil.....	2,351	2,298	2,401
<b>National defense:</b>			
Department of Defense—Military:			
Military personnel (excluding research and development).....	14,496	16,320	17,875
Family housing.....	177	210	210
Civil defense.....	58	76	74
Other.....	-464	-160	-12
Selective Service System.....	43	60	53
Other agencies.....	21	23	25
Total, other operation and administration, national defense.....	14,331	16,529	18,224
Total, other operation and administration.....	16,682	18,826	20,625
<b>Interest:</b>			
On the public debt.....	11,346	12,000	12,750
Other interest:			
On refunds:			
Treasury Department.....	77	91	91
General Services Administration.....	*	*	*
On uninvested funds: Treasury Department.....	12	12	13
Total, other interest.....	89	104	104
Total, interest.....	11,435	12,104	12,854
Total, other services and current operating expenses.....	42,233	46,779	50,145
Allowance for contingencies.....		75	350
Interfund transactions.....	-870	-647	-712
Total, administrative budget funds.....	96,507	106,428	112,847

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Trust Funds</b>			
(Includes deposit funds and Government-sponsored enterprises)			
<b>ADDITIONS TO FEDERAL ASSETS</b>			
<b>Loans—civil:</b>			
To domestic private borrowers:			
Department of Housing and Urban Development: Federal National Mortgage Association: Secondary market opera- tions.....	49	1,503	552
Veterans Administration: Life insurance funds.....	39	40	45
Farm Credit Administration:			
Banks for cooperatives.....	189	69	80
Federal intermediate credit banks.....	149	201	212
Other agencies.....	-1	-1	-1
Total, loans to domestic private borrowers.....	425	1,812	889
<b>Public works—sites and direct construction:</b>			
Civil:			
Department of Defense—Civil: Corps of Engineers and other.....	25	28	28
Other agencies.....	2	8	14
Total, public works, civil.....	27	36	43
National Defense: Department of Defense—Military.....	*		
Total, public works, sites and direct construction.....	27	36	43
<b>Other physical assets—acquisition and improvement—civil.....</b>	24	28	31
<b>Total, additions to Federal assets.....</b>	475	1,876	962
<b>ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS</b>			
<b>State and local assets—civil:</b>			
Department of Commerce: Highway trust fund and other.....	3,919	3,861	3,898
<b>Private assets:</b>			
Civil:			
Farm Credit Administration: Federal land banks.....	561	300	300
Federal home loan banks.....	660	142	200
Total, private assets, civil.....	1,221	442	500
National Defense: Atomic Energy Commission.....	1	2	*
Total, private assets.....	1,222	444	500
<b>Total, additions to State, local, and private assets.....</b>	5,141	4,305	4,398
<b>DEVELOPMENTAL EXPENDITURES</b>			
<b>Education, training, and health—civil.....</b>	*	1	2

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Trust Funds—Continued</b>			
<b>DEVELOPMENTAL EXPENDITURES—Continued</b>			
<b>Research and development—civil:</b>			
Department of Commerce: Bureau of Public Roads and other	66	70	74
Other agencies.....	5	6	6
Total, research and development.....	71	76	79
Engineering and natural resource surveys—civil.....	*	*	*
Total developmental expenditures.....	72	77	81
<b>CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES</b>			
Agriculture—civil.....	1	2	2
<b>Business—civil:</b>			
Department of Commerce:			
Bureau of Public Roads.....	42	40	42
Other.....	17	28	37
Federal Deposit Insurance Corporation.....	-180	-220	-223
Other.....	*	*	*
Total, business.....	-121	-151	-144
Labor—civil: Department of Labor: Unemployment trust fund:			
Grants for administration and other.....	441	502	557
Homeowners and tenants—civil.....	*	-28	-16
<b>Veterans—civil:</b>			
Veterans Administration: Life insurance funds and other.....	578	507	628
Department of Defense—civil.....	7	7	7
Total, veterans—civil.....	585	514	636
<b>International aids:</b>			
Civil: Other agencies.....	6	11	10
National defense: Funds appropriated to the President—Military assistance advances.....	745	867	891
Total, international aids.....	750	877	901
<b>Other aids and special services—civil:</b>			
Department of Commerce: Highway trust fund.....			68
Department of Health, Education, and Welfare:			
Federal old-age and survivors insurance: Operating expenses.....	300	274	285
Federal disability insurance: Operating expenses.....	1,392	1,715	1,782
Federal supplementary medical insurance: Operating expenses.....			133
Federal hospital insurance: Operating expenses.....		53	87
Department of the Interior:			
Indian tribal funds.....	74	70	59
Other.....	3	3	3

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Trust Funds—Continued</b>			
<b>CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued</b>			
<b>Other aids and special services—civil—Continued</b>			
Other agencies.....	11	12	11
Total, other aids and special services.....	1,780	2,127	2,429
<b>Total, current expenses for aids and special services.....</b>	<b>3,438</b>	<b>3,843</b>	<b>4,365</b>
<b>RETIREMENT AND SOCIAL INSURANCE BENEFITS</b>			
<b>Insurance benefits—civil:</b>			
Department of Health, Education, and Welfare:			
Federal old-age and survivors insurance.....	15,226	18,125	19,064
Federal disability insurance trust fund.....	82	193	117
Federal supplementary medical insurance.....			765
Federal hospital insurance.....			2,338
Total, insurance benefits.....	15,308	18,318	22,284
<b>Unemployment benefits—civil: Department of Labor: Unemployment trust fund.....</b>	<b>2,505</b>	<b>2,284</b>	<b>2,305</b>
<b>Other retirement and social insurance benefits—civil:</b>			
Civil Service Commission: Civil Service retirement and disability.....			
	1,308	1,486	1,658
Railroad Retirement Board: Railroad retirement account.....	1,116	1,176	1,195
Other agencies.....	8	10	11
Total, other retirement and social insurance benefits.....	2,433	2,672	2,864
<b>Total, retirement and social insurance benefits.....</b>	<b>20,246</b>	<b>23,274</b>	<b>27,452</b>
<b>OTHER SERVICES AND CURRENT OPERATING EXPENSES</b>			
<b>Repair, maintenance and operation of physical assets, (excluding special services)—civil.....</b>	<b>2</b>	<b>3</b>	<b>3</b>
<b>Regulation and control—civil:</b>			
Department of Agriculture: Inspection, grading, and other.....			
	27	28	28
Other agencies.....	4	4	5
Total, regulation and control.....	31	32	33
<b>Other operation and administration:</b>			
<b>Civil:</b>			
International activities:			
Department of Justice:			
Alien property fund: World War II.....	-179	4	38
Other.....	*	1	
Foreign Claims Settlement Commission: War claims fund.....	*	19	47
Other agencies.....	3	5	6
Total, international activities.....	-176	29	91
Federal financial activities.....	*	*	*

\*Less than one-half million dollars.

Table D-2. INVESTMENT, OPERATING, AND OTHER EXPENDITURES  
(in millions of dollars)—Continued

Description	1965 actual	1966 estimate	1967 estimate
<b>Trust Funds—Continued</b>			
<b>OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued</b>			
<b>Other operation and administration—Continued</b>			
Civil—Continued			
Other direct Federal programs:			
Civil Service Commission:			
Civil service retirement and disability fund: Refunds...	130	129	133
Health benefits and life insurance.....	-36	-6	-58
Other agencies.....	2	2	2
<b>Total, other direct Federal programs.....</b>	<b>96</b>	<b>125</b>	<b>78</b>
Shared revenues and grants-in-aid.....	17	19	19
<b>Total, other operation and administration, civil.....</b>	<b>-63</b>	<b>173</b>	<b>188</b>
National defense: Other agencies.....	6	6	6
<b>Total, other operation and administration.....</b>	<b>-57</b>	<b>179</b>	<b>194</b>
<b>Total, other services and current operating expenses.....</b>	<b>-24</b>	<b>214</b>	<b>230</b>
<b>UNCLASSIFIED</b>			
Payments to other trust funds:			
Federal old-age and survivors insurance.....	436	446	521
Federal disability insurance.....	24	30	40
Alien property fund.....	10	150	25
Railroad retirement account.....	58	52	68
Payments to general fund: Unemployment trust fund.....	184	104	85
District of Columbia.....	384	446	489
Federal National Mortgage Association—secondary market operations.....	42	-75	-36
Advances from District of Columbia.....	*	5	14
Deposit funds.....	-210	-166	-48
<b>Total, unclassified.....</b>	<b>928</b>	<b>992</b>	<b>1,158</b>
Interfund transactions.....	-638	-795	-767
<b>Total, trust funds.....</b>	<b>29,637</b>	<b>33,786</b>	<b>37,882</b>

\*Less than one-half million dollars.

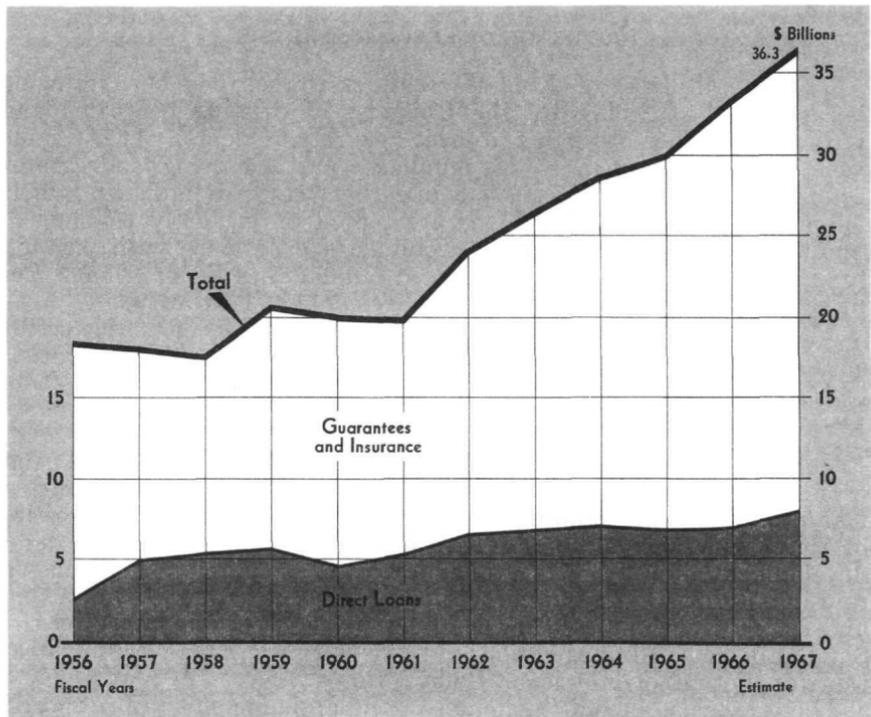
SPECIAL ANALYSIS E  
FEDERAL CREDIT PROGRAMS

INTRODUCTION

Federal credit aids help achieve basic objectives of Government programs in six major areas. Most important are the loan, loan insurance, and loan guarantee programs for: (a) improvement of private housing and encouragement of homeownership; (b) development of agricultural and other natural resources; and (c) promotion of economic development and military preparedness abroad. In

**Major Federal Credit Programs**

*New Commitments*



addition, Federal credit programs provide significant assistance for: (d) domestic business, e.g., small business generally, transportation, and commercial fisheries; (e) community development and public housing; and (f) education.

These programs supplement, rather than substitute for, private credit. In some cases, they fill gaps by providing or stimulating a type of credit not otherwise generally available to important groups of borrowers. Often they assume or share in risks which private

lenders, at least initially, cannot reasonably be expected to undertake. Similarly, the terms on which the assistance is provided often are more liberal, with longer maturities, smaller downpayments, or lower interest costs than are generally available otherwise.

In several programs, the credit aids are part of a package of Federal assistance. Such a package might also include, for example, grants to provide necessary public facilities for depressed areas; grants for work-training, education, and other types of community action to help combat poverty; or technical aids to help underdeveloped countries plan and construct basic transportation systems.

Federal credit programs provide a means of helping borrowers to help themselves. Unlike almost all other Government programs, the initial expenditures involved are largely or wholly repayable, so that the ultimate net cost is normally low. Some programs are fully self-supporting; in most others, the income from interest payments or insurance and guarantee fees covers most of the current expenses (including Treasury borrowing costs) and/or provides reserves for future losses. Customarily, administrative expenses are paid from income, but occasionally separate appropriations are made to finance them.

#### COVERAGE OF SPECIAL ANALYSIS

The overall level of Federal credit assistance has been growing because of broadening by the Congress of existing programs and initiation of other programs to meet new requirements. At the same time, important changes in emphasis are occurring. Programs established for temporary reasons in earlier years are liquidating their operations as outstanding loans are repaid or privately refinanced. Similarly, as private investors accumulate experience with ongoing programs, they have often refinanced outstanding Federal loans and directly financed the new credit requirements of borrowers.

This year's analysis presents separate information on major credit programs administered by eight Cabinet departments and four other agencies. The 1967 estimates reflect recent enactment of legislation (a) enabling college and vocational students to obtain loans at below-market interest rates, (b) broadening credit aid by the newly created Economic Development Administration for depressed areas and economic development centers, (c) creating an insured rural housing loan program and expanding other loan and loan insurance authorities of the Farmers Home Administration, (d) authorizing a new land development mortgage insurance program and making extensive revisions in existing credit programs of the Department of Housing and Urban Development, and (e) liberalizing credit assistance by the Small Business Administration and the Farmers Home Administration for victims of Hurricane Betsy.<sup>1</sup>

The totals also include estimates of the probable effect of proposed legislation to (a) authorize sales of participations in pools of loans made by the Departments of Agriculture, Health, Education, and Welfare, and Housing and Urban Development, and by the Small Business Administration; and (b) substitute federally assisted private loans for the direct student loan programs of the Department of Health, Education, and Welfare.

<sup>1</sup> See summary on pp. 64-66 for further details.

The analysis includes (in tables E-2 and E-3) the total amounts, but no detailed information, on outstanding loans and guarantees and on net expenditures for numerous smaller or relatively inactive credit programs administered by nine departments and four other agencies; these account for about 0.6% of outstanding direct and guaranteed loans. Loan programs of important quasi-public agencies are excluded from tables E-1 to E-5, but their outstanding loans are shown in table E-6. The analysis excludes borrowing from the Treasury by other Federal agencies, whether for loans or other programs.

## NEW COMMITMENTS

New commitments are the best single measure of the short-run trends in most Federal credit programs. They also give the best

Table E-1. NEW COMMITMENTS FOR MAJOR FEDERAL CREDIT PROGRAMS CLASSIFIED BY TYPE OF ASSISTANCE, MAJOR AGENCY OR PROGRAM (in millions of dollars)

Agency or program	1965 actual		1966 estimate		1967 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
Office of Economic Opportunity.....	20		33		34	
Department of Agriculture:						
Commodity Credit Corporation.....	9	2,093	8	2,084	8	1,257
Rural Electrification Administration.....	477		371		355	
Farmers Home Administration.....	569	201	428	635	477	735
Department of Commerce:						
Economic Development Administration.....	44		102	12	106	13
Maritime Administration.....	9		1	42		44
Department of Defense: Military assistance credits.....	69	77	77	175	44	100
Department of Health, Education, and Welfare:						
Office of Education.....	239		301	2	347	5
Public Health Service.....	26		25		21	
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	673	300	564	1,660	558	2,740
Federal Housing Administration.....	135	14,414	134	15,001	131	16,434
Public housing program.....	117	474	144	710	160	889
College housing program.....	411		389		357	
Urban renewal program.....	172	659	182	646	202	646
Other major programs.....	203		159		143	
Department of Interior: Reclamation loans.....	10		13		10	
Department of State: Agency for International Development.....	1,662	60	1,657	143	1,994	164
Treasury Department: Loans to District of Columbia.....	77		49		38	
Veterans Administration.....	481	3,030	435	2,982	417	2,866
Export-Import Bank of Washington.....	852	1,645	1,143	2,276	2,003	2,286
Small Business Administration.....	462	68	601	142	570	183
<b>Total by type of assistance.....</b>	<b>6,717</b>	<b>23,021</b>	<b>6,816</b>	<b>26,510</b>	<b>7,975</b>	<b>28,362</b>
<b>Grand total.....</b>	<b>29,738</b>		<b>33,326</b>		<b>36,337</b>	

advance indication of trends in the economic impact of these programs, since changes in the level of new commitments usually precede corresponding changes in the volume of loans disbursed by either public agencies or private lenders and in the purchase of goods and services by the ultimate borrowers.

In this analysis, commitments are defined as approvals by Federal agencies of direct loans or of insurance or guarantees of private loans. They are shown on a gross basis, including administrative reservations or other commitments which do not later result in actual credit extensions, as well as the unguaranteed portions of loans partially covered by Federal guarantees.

*Direct loans.*—New commitments of almost \$8 billion estimated for direct loans in 1967 are \$1.3 billion higher than the actual commitments made in 1965. The largest increases expected are for loans to foreign borrowers by the Export-Import Bank and the Agency for International Development. Together they will make half of the new direct loan commitments in 1967; this assistance will be an essential part of our economic and trade development effort abroad. The other half of the commitments will be divided among 18 other major credit programs.

*Guarantees and insurance.*—New commitments for guarantees and insurance of private loans will continue to rise to an estimated \$28.4 billion in 1967, over 60% more than the actual commitments made 5 years previous (in 1962). Over half of the total new commitments will be for housing loans insured by the Federal Housing Administration. Of the total guarantee commitments, \$2.6 billion in 1966 and \$3.7 billion in 1967 represent guarantees by the Federal National Mortgage Association and the Export-Import Bank of certificates of participation in pools of loans. The Commodity Credit Corporation expects to curtail sharply its guarantee commitments in 1967 in view of reduced crop production forecasts and lower loan rates under the 1965 farm legislation.

*Overlapping commitments.*—The total estimated commitments in 1967 of \$36.3 billion include several cases where two or more types of Federal assistance are provided for the same borrower or on the same property or project at different stages in the financing process. Guarantees of certificates of participation in pools of loans represent the most important type of such overlapping. Other major examples include: (a) commitments by the Federal National Mortgage Association for purchase of mortgages insured or guaranteed by other Federal agencies, and (b) commitments by the Public Housing Administration at successive stages in the financing of local low-rent public housing.

#### OUTSTANDING DIRECT AND GUARANTEED LOANS

The best index of the level of Federal credit programs over a period of years is provided by the total outstanding direct and guaranteed loans. By the close of 1967, these will total \$138.4 billion for major programs, and with smaller programs, \$139.3 billion.

Outstanding direct loans will remain virtually unchanged in 1966 at the 1965 yearend level of \$33.1 billion, but are expected to fall by

Table E-2. **OUTSTANDING DIRECT LOANS, AND GUARANTEED AND INSURED LOANS FOR MAJOR FEDERAL CREDIT PROGRAMS CLASSIFIED BY AGENCY OR PROGRAM** (in millions of dollars)

Agency or program	1965 actual		1966 estimate		1967 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
Office of Economic Opportunity.....	17	-----	47	-----	71	-----
Department of Agriculture:						
Commodity Credit Corporation.....	2,115	419	1,874	819	542	1,225
Rural Electrification Administration.....	4,072	-----	4,262	-----	4,456	-----
Farmers Home Administration.....	1,990	727	2,054	1,249	1,444	1,997
Department of Commerce:						
Economic Development Administration.....	126	-----	183	-----	246	3
Maritime Administration.....	109	419	101	454	92	488
Department of Defense:						
Military assistance credits.....	79	-----	40	110	75	287
Department of Health, Education, and Welfare:						
Office of Education.....	538	-----	758	2	848	7
Public Health Service.....	13	-----	38	-----	59	-----
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	2,121	300	1,427	1,930	1,042	4,505
Federal Housing Administration.....	527	49,042	490	52,448	451	56,960
Public housing program.....	60	5,033	59	5,541	59	6,124
College housing program.....	1,927	-----	2,170	-----	1,651	-----
Urban renewal program.....	196	1,382	214	1,647	251	1,867
Other major programs.....	342	-----	421	-----	441	-----
Department of Interior: Reclamation loans.....	90	-----	105	-----	118	-----
Department of State: Agency for International Development.....	8,997	144	10,510	306	12,030	492
Treasury Department:						
Loans to District of Columbia.....	139	-----	149	-----	193	-----
Foreign loans.....	3,763	-----	3,728	-----	3,627	-----
Veterans Administration.....	1,649	30,951	868	30,097	605	28,924
Export-Import Bank of Washington.....	2,490	2,617	2,091	3,447	1,888	4,418
Small Business Administration.....	1,147	104	1,072	209	662	302
<b>Total by type of assistance:</b>						
Major agencies or programs.....	32,507	91,138	32,661	98,259	30,851	107,599
Other agencies or programs.....	547	276	450	288	614	256
<b>All agencies.....</b>	<b>33,054</b>	<b>91,414</b>	<b>33,111</b>	<b>98,547</b>	<b>31,465</b>	<b>107,855</b>

\$1.6 billion in 1967. This decline, if realized, will reverse the continuous uptrend over the past decade and longer in the size of the Federal loan portfolio. The overall reduction will occur despite sizable continuing increases over the 2-year period amounting to \$3 billion for loans held by the Agency for International Development and another \$0.7 billion in loans of the Rural Electrification Administration and the Office of Education.

In almost all other long-established direct loan programs the increased emphasis upon substitution of private for public credit will cause substantial reductions in outstanding portfolios—mainly because of the greatly expanded program for sales of participations in pools of loans. The largest net reductions in 1966-67 will be con-

centrated in the Commodity Credit Corporation, the Federal National Mortgage Association, the Veterans Administration, and the Export-Import Bank.

Simultaneous with this sharp cutback in direct loan portfolios, the increase in outstanding Federal guarantees and insurance of private loans will accelerate, amounting to \$16.4 billion over the 2 years. Mortgage and property improvement loans insured by the Federal Housing Administration account for almost half of the anticipated rise, and for over half of the total outstanding guaranteed and insured loans at the end of 1967. Much of the remaining increase represents guarantees by the Federal National Mortgage Association, the Export-Import Bank and the Commodity Credit Corporation of participations in pools of loans administered by these agencies. Other substantial increases are estimated for the Farmers Home Administration, under its broadened insurance authority, and for the Public housing program. The outstanding volume of loans guaranteed by the Veterans Administration will continue to decline as the number of new loans shrinks and the rate of amortization on existing loans rises.

The amounts shown include both the guaranteed and unguaranteed portion of outstanding loans in order to give a more complete picture of the economic impact of these programs and to tie in better with banking statistics. Thus, they do not indicate the estimated contingent liability of the Federal Government. The major program for which the contingent liability differs materially from the principal amount of the loans is the veterans loan guarantee program; by the end of 1967, the Government's liability will be about \$13.3 billion lower than the amount of guaranteed loans outstanding under that program.

#### DISBURSEMENTS AND REPAYMENTS

Direct loans can have a major budgetary impact, since the difference between disbursements and repayments represents net expenditures or receipts. On the other hand, except to the extent that Federal guarantees and insurance of private loans help to minimize direct loans or to increase sales of such loans, they ordinarily have only a minor effect on Federal expenditures. Net expenditures for Federal credit assistance, in total, are relatively small, compared to the economic impact of these programs.

Expenditures of all Government lending programs (with the major exception of loans from trust funds or by quasi-public agencies) are included in the administrative budget totals. In most currently active loan programs, collections are offset directly against expenditures. In the case of the Rural Electrification Administration, collections on loans are deposited to miscellaneous receipts, but legislation is proposed to put this program on a revolving fund basis effective for both 1966 and 1967. The proposed participation sales legislation would also put the academic facility loan program of the Department of Health, Education, and Welfare on a revolving fund basis in 1967. In the case of foreign loans, disbursements and repayments in foreign currencies are included in the analysis, though they are not included in budget expenditures and receipts. Also included is sales credit extended to buyers of federally owned assets, even when no budget expenditures are involved.

Table E-3. DISBURSEMENTS AND REPAYMENTS FOR MAJOR FEDERAL CREDIT PROGRAMS CLASSIFIED BY AGENCY OR PROGRAM (in millions of dollars)

Agency or program	1965 actual		1966 estimate		1967 estimate	
	Disbursements	Repayments	Disbursements	Repayments	Disbursements	Repayments
Office of Economic Opportunity.....	17		32	3	33	8
Department of Agriculture:						
Commodity Credit Corporation.....	2,103	2,406	2,092	2,309	1,241	2,550
Rural Electrification Administration.....	381	177	370	180	380	186
Farmers Home Administration.....	828	589	918	851	1,015	1,625
Department of Commerce:						
Economic Development Administration.....	57	2	59	2	67	3
Maritime Administration.....	1	12	1	9		9
Department of Defense: Military assistance credits.....	69	42	86	128	71	36
Department of Health, Education, and Welfare:						
Office of Education.....	133	1	244	1	223	135
Public Health Service.....	13		25		21	21
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	203	699	183	911	252	940
Federal Housing Administration.....	157	197	163	151	131	165
College housing program.....	262	36	276	32	333	853
Public housing program.....	176	165	235	235	256	256
Urban renewal program.....	272	226	242	223	269	230
Other major programs.....	107	18	104	17	126	99
Department of the Interior: Reclamation loans.....	12		15		14	
Department of State: Agency for International Development.....	1,753	136	1,662	149	1,682	161
Treasury Department:						
Loans to District of Columbia.....	62	43	59	49	46	3
Foreign loans.....		33		35		102
Veterans Administration.....	529	574	466	1,247	456	719
Export-Import Bank of Washington.....	403	620	658	1,057	906	1,109
Small Business Administration.....	444	212	530	580	478	888
<b>Total.....</b>	<b>7,982</b>	<b>6,188</b>	<b>8,420</b>	<b>8,169</b>	<b>8,000</b>	<b>10,098</b>
Net addition to loans:						
Major agencies or programs.....	1,794		251		-2,098	
Other agencies or programs.....	38		71		4	
Adjustment for repayments going directly into miscellaneous receipts.....	400		195		267	
Adjustment for net expenditures in foreign currencies, deduct.....	617		563		581	
Adjustment for extensions of sales credit, and other, deduct.....	45		53		51	
<b>Total administrative budget expenditures<sup>1</sup>.....</b>	<b>1,570</b>		<b>-99</b>		<b>-2,459</b>	

<sup>1</sup> See special analysis D, p. 38.

Gross loan disbursements of major credit programs are expected to rise by \$0.4 billion in 1966 and to decline by the same amount in 1967 to \$8 billion, the same level as in 1965. Repayments of \$6.2 billion in 1965, however, will increase to an estimated \$8.2 billion in 1966

and \$10.1 billion in 1967. The shift from a net excess in expenditures of \$1.8 billion in 1965 to a net excess in receipts of \$2.1 billion in 1967 arises predominantly from the greatly increased sales of financial assets anticipated under proposed new legislative authority.

Net expenditures for loans in the administrative budget show comparable trends, declining from \$1.6 billion in 1965 to a net excess in receipts of \$2.5 billion in 1967. The adjustments necessary to reconcile the difference in levels are indicated at the end of table E-3.

#### PRIVATE PARTICIPATION IN FEDERAL CREDIT PROGRAMS

Despite the number and variety of major Federal credit programs, they directly affect only a small fraction of the total volume of credit, both public and private. Of the estimated private debt of \$853 billion outstanding on June 30, 1965, direct Government loans and guarantees of private loans to domestic private borrowers accounted for about 11%. Federal guarantees or insurance of private loans were responsible for most of the Federal assistance.

In recent years, and especially during the past year, emphasis has been placed upon obtaining private participation in public credit programs wherever consistent with achievement of the purposes of such programs. Numerous methods are being employed to make this policy effective, including: (a) limitation of direct lending to cases where borrowers cannot otherwise obtain the funds on reasonable terms; (b) liberalization in lending authority of private institutions; (c) expanded use of Government guarantees and insurance of private loans, as an alternative to direct loans; and (d) increased sales of Government loans to private lenders.

Legislation is being proposed to authorize a Government-wide program for the sale of participations in outstanding direct loans. Under the expanded program, the Federal National Mortgage Association, as trustee, will continue to administer the pools of loans set aside by the Veterans Administration and by its own special assistance and management and liquidating programs. It will also administer and sell certificates of participation in pools of loans set aside by the Farmers Home Administration, the Office of Education, the Small Business Administration, and the college housing and public facility loan programs of the Department of Housing and Urban Development.

The program authorized by this legislation will use many of the techniques successfully employed in earlier sales of participations by the Export-Import Bank and the Federal National Mortgage Association. In addition, new provisions will make it possible for the first time to include in the pools many loans which bear interest rates below current market levels. The agencies pooling such loans will be authorized to make supplementary payments to the trustee, which, together with the interest on the loans in the pools, will assure a level of return adequate to attract private investment.

Largely as a result of this proposed legislation, sales of financial assets are expected to increase from the \$1.6 billion actually consummated in 1965 to \$3.3 billion in 1966 and \$4.7 billion in 1967. These

Table E-4. DIRECT SALES AND PARTICIPATION SALES OF LOANS BY MAJOR FEDERAL CREDIT PROGRAMS (in millions of dollars)

Agency or program	1965 actual		1966 estimate		1967 estimate	
	Direct sales	Participation sales	Direct sales	Participation sales	Direct sales	Participation sales
Department of Agriculture: Farmers Home Administration.....	35	-----	40	-----	15	<sup>1</sup> 600
Department of Health, Education, and Welfare: Office of Education.....	-----	-----	-----	-----	-----	<sup>1</sup> 100
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	264	200	182	485	49	<sup>2</sup> 520
Federal Housing Administration.....	6	-----	15	-----	65	-----
Public housing program.....	4	-----	-----	-----	-----	-----
College housing loans.....	12	-----	5	-----	5	<sup>1</sup> 820
Public facility loans.....	11	-----	5	-----	5	<sup>1</sup> 80
Veterans Administration:						
Direct loan revolving fund.....	61	93	60	625	80	154
Loan guarantee revolving fund.....	266	7	260	200	290	106
Export-Import Bank of Washington.....	124	450	60	975	25	975
Small Business Administration.....	31	-----	45	<sup>1</sup> 350	-----	<sup>1</sup> 850
Total by type of sale.....	814	750	672	2,635	534	4,205
Grand total.....	1,564	-----	3,307	-----	4,739	-----
Present programs.....	1,564	-----	2,957	-----	1,889	-----
Proposed legislation.....	-----	-----	350	-----	2,850	-----

<sup>1</sup> Under proposed legislation.<sup>2</sup> Includes \$400 million under proposed legislation.

figures exclude sales made as part of the usual process of guaranteeing or insuring loans, and sales from one Government agency to another, as well as regular amortization and prepayments of principal.

Of the total sales anticipated in 1967, \$4,205 million will be accomplished through sales of participations and \$534 million from direct sales of individual loans. The timing of sales and the specific assets to be sold are subject to variation depending upon market developments and shifts in the inventory of available assets.

#### INTEREST RATES AND MATURITIES

Two of the major ways in which Federal credit programs help achieve program objectives are by providing more favorable interest rates or maturities than many borrowers can obtain from other sources. Table E-5 summarizes the current range of interest rates charged by the various major credit programs on direct loans (or prevailing on insured or guaranteed loans) and the customary maturities for both direct and insured and guaranteed loans. These terms are on newly committed loans by currently active programs, and do not necessarily correspond to those on outstanding loans, or on loans covered by commitments made in earlier years.

Table E-5. INTEREST RATES AND MATURITIES FOR MAJOR ACTIVE CREDIT PROGRAMS CLASSIFIED BY AGENCY OR PROGRAM, DECEMBER 1965

Agency or program	Direct loans		Guaranteed and insured loans	
	Interest rate (percent)	Maturity (years)	Interest rate (percent)	Maturity (years)
Office of Economic Opportunity.....	4 $\frac{1}{8}$	15-30		
Department of Agriculture:				
Commodity Credit Corporation.....	<sup>1</sup> 3 $\frac{1}{2}$ -4	1 $\frac{1}{2}$ -4	4 $\frac{1}{2}$	1 $\frac{1}{2}$ -4
Rural Electrification Administration.....	2	5-35		
Farmers Home Administration.....	3-5	1-50	3 $\frac{3}{4}$ -5 $\frac{3}{4}$	33-50
Department of Commerce:				
Economic Development Administration.....	3 $\frac{3}{4}$ -4 $\frac{1}{4}$	5-40	<sup>2</sup> 4-8	<sup>2</sup> 2-10
Maritime Administration.....	3 $\frac{1}{2}$ -6	15-25	3 $\frac{7}{8}$ -5	20-25
Department of Defense: Military assistance credits.....	0-5	3-10	4 $\frac{7}{8}$ -5	7-10
Department of Health, Education, and Welfare:				
Office of Education.....	0-4 $\frac{3}{8}$	<sup>3</sup> 11-50	4 $\frac{1}{2}$ -6	15
Public Health Service.....	4 $\frac{1}{4}$	12-19		
Department of Housing and Urban Development:				
Federal National Mortgage Association.....	3-5 $\frac{1}{4}$	30-40	4 $\frac{3}{4}$	15
Federal Housing Administration.....	4-6	1 $\frac{1}{2}$ -50	<sup>4</sup> 3-6	1 $\frac{1}{2}$ -50
College housing program.....	3	30-50		
Public housing program.....	4 $\frac{1}{8}$	1 $\frac{1}{4}$ -1	2 $\frac{1}{2}$ -3 $\frac{3}{8}$	1 $\frac{1}{4}$ -40
Urban renewal program.....	3-4 $\frac{3}{8}$	1 $\frac{1}{2}$ -40	2 $\frac{3}{4}$ -3	1 $\frac{1}{2}$ -40
Other major programs.....	0-4 $\frac{1}{8}$	1-50		
Department of Interior: Reclamation loans.....	0-4 $\frac{1}{8}$	22-50		
Department of State: Agency for International Development.....	3 $\frac{1}{4}$ -6 $\frac{1}{2}$	5-40	5-9	3-20
Treasury Department: Loans to District of Columbia.....	4 $\frac{1}{8}$	30-40		
Veterans Administration.....	4-6 $\frac{1}{2}$	25-30	5 $\frac{1}{4}$ -6 $\frac{1}{2}$	30
Export-Import Bank of Washington.....	5 $\frac{1}{2}$	1 $\frac{1}{4}$ -15	4 $\frac{1}{2}$ -8	0-7
Small Business Administration.....	3-5 $\frac{1}{2}$	1-30	3-8	1-30

<sup>1</sup> When commodity loan is repaid by forfeiting collateral, no interest is charged.

<sup>2</sup> Estimate. Program not yet fully operative.

<sup>3</sup> On student loans, maturities begin when student leaves school and exclude periods of military or Peace Corps service.

<sup>4</sup> In addition, property improvement loans are insured for 4-5% discount per year (equivalent to over 8% simple interest), and with maturities of 6 months to 7 years.

Interest rates charged on direct loans vary greatly both among the various Federal credit agencies and sometimes among the various types of loans made by a single agency. Many of the differences in rates reflect mainly differences in the cost of providing the loan (including the cost of borrowing the necessary funds), of administering the varying types of loans and of incurring the varying degrees of risk of probable loss. In many cases, the rate charged is governed by statutory limits or formulas. These sometimes are intended to assure loans at rates below those prevailing in the private market or below the cost to the Government, in order to provide special assistance to particular groups of borrowers as a method of accomplishing Federal program objectives. In some cases, the rates charged reflect mainly Government borrowing costs in earlier periods, rather than current market yields of Government obligations.

Interest rates charged on insured and guaranteed loans tend to correspond more closely to market rates of interest on comparable loans by private lenders—allowing for the reduction or removal of

the normal private credit risk. In a few cases, interest rates on insured loans are deliberately set below the market rate and a secondary market provided to assure the willingness of the private lender to make the initial loans; for example, the Federal Housing Administration was authorized in the Housing Act of 1961 to insure certain types of loans to finance moderate-income housing at rates well below those prevailing in the private market, and the Federal National Mortgage Association purchases all of such mortgages.

Maturities, both on direct and on insured or guaranteed loans, often are substantially more liberal than on private loans of similar types. Private lenders are often limited by law or supervisory policy to shorter maturities. When a Federal agency insures or guarantees the loans, however, these limitations customarily do not apply. When borrowers are acquiring assets yielding income or tangible benefits over a long period of years, long-term loans reduce periodic installments and make it possible for borrowers to undertake such acquisitions with reasonable assurance of repayment.

#### QUASI-PUBLIC CREDIT PROGRAMS

The Federal Government also has certain responsibilities for the credit programs of mixed-ownership corporations and other public agencies operating in whole or in part with private funds. Table E-6 summarizes the outstanding loans for eight institutions or groups of institutions of this type which have important lending operations.

Table E-6. OUTSTANDING LOANS FOR MAJOR QUASI-PUBLIC CREDIT PROGRAMS CLASSIFIED BY AGENCY AND PROGRAM (in millions of dollars)

Agency	Outstanding at end of fiscal year			
	1964 actual	1965 actual	1966 estimate	1967 estimate
<b>Mixed ownership enterprises and trust funds:</b>				
Farm Credit Administration:				
Banks for cooperatives.....	757	931	1,008	1,100
Federal intermediate credit banks.....	2,504	2,687	2,900	3,124
Department of Housing and Urban Development: Federal National Mortgage Association (Secondary market operations trust fund).....				
	2,021	2,069	3,609	4,174
Veterans Administration:				
National service life insurance fund.....	506	550	595	645
U.S. Government life insurance fund.....	93	88	83	78
Subtotal, mixed ownership and trust funds.....	5,881	6,325	8,195	9,121
<b>Other major quasi-public credit programs:</b>				
Farm Credit Administration: Federal land banks.....				
	3,516	4,058	4,493	4,677
Federal Home Loan Bank Board: Federal home loan banks.....				
	4,769	5,586	5,400	5,800
Federal Reserve, Board of Governors: Federal Reserve banks.....				
	79	657	( <sup>1</sup> )	( <sup>1</sup> )
Subtotal, other quasi-public credit programs.....	8,364	10,301		
Total.....	14,245	16,626		

<sup>1</sup> Estimates are not available.

Outstanding loans of the five groups of mixed-ownership enterprises and trust funds for which estimates of future fiscal years as well as actual data on the past years are available will increase from a total of \$6.3 billion in 1965 to an estimated \$9.1 billion by the end of the fiscal year 1967. Heavy net purchases of mortgages by the Secondary market trust fund of the Federal National Mortgage Association are primarily responsible for the anticipated increase.

All three other groups of institutions, which are privately owned, increased their outstanding loans during the fiscal year 1965 by a total of \$1.9 billion to \$10.3 billion. While no data are available on the probable 1966-67 trends in discounts and advances by the Federal Reserve banks, the Federal home loan banks and the Federal land banks expect to add another \$0.9 billion to their portfolios during the 2-year period.

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SUMMARY OF LEGISLATION AUTHORIZING NEW AND BROADENED  
FEDERAL CREDIT PROGRAMS

The following summary lists all legislation authorizing new Federal credit programs or revising existing programs in major respects enacted during the last session of Congress. It excludes simple extensions in expiring laws and increases in funds for continuing programs.

I. Department of Agriculture

A. Amendments to the Consolidated Farmers Home Administration Act of 1961—Public Law 89-240

(1) Authorizes direct and insured loans to rural public and non-profit agencies for waste disposal systems, and (2) increases the annual limitation on insured real estate loans.

II. Department of Commerce

A. Public Works and Economic Development Act of 1965—Public Law 89-136

(1) Broadens eligibility for public facility loans and grants and industrial and commercial loans in depressed areas, (2) authorizes guarantees of working capital loans, (3) makes economic development centers eligible for loans and grants to stimulate economic growth of nearby depressed areas, and (4) increases annual authorizations.

III. Department of Health, Education, and Welfare

A. Higher Education Act of 1965—Public Law 89-392

(1) Authorizes advances to State and nonprofit loan insurance programs for college students, (2) authorizes payment to private lenders of part of interest on insured loans, (3) authorizes Federal insurance for students unable to obtain nonfederally insured loans, (4) liberalizes NDEA loan cancellation for elementary school teachers serving in poverty areas, and (5) reduces interest rate on academic facility loans.

B. National Vocational Student Loan Insurance Act of 1965—  
Public Law 89-287

Authorizes similar advances to non-Federal loan insurance funds, interest contributions and Federal insurance as well as direct loans for vocational students.

C. Health Professions Educational Assistance Amendments of  
1965—Public Law 89-290

Provides partial loan cancellations for doctors, dentists, and optometrists practicing in shortage areas.

IV. Department of Housing and Urban Development (and other agencies)

A. Housing and Urban Development Act of 1965—Public Law  
89-117

(1) Authorizes (a) the Federal Housing Administration to insure land development loans, (b) the Farmers Home Administration to insure rural housing loans, and (c) the Small Business Administration to guarantee lease payments by small businesses; (2) amends statutory interest rate formulas for loans for (a) college housing, (b) housing for elderly and handicapped, and (c) multifamily housing for moderate income families; and (3) makes numerous other detailed revisions in existing mortgage insurance and direct loan programs.

V. Department of the Interior

A. Amendments to the Fish and Wildlife Act of 1956—Public  
Law 89-85.

Amends statutory interest rate formula for fisheries loans.

VI. Department of Labor

A. Amendments to Manpower Development and Training Act of  
1962—Public Law 89-15.

Creates pilot loan and grant program to finance relocation costs of unemployed workers.

VII. Department of State (and other agencies)

A. Foreign Assistance Act of 1965—Public Law 89-171.

(1) Broadens investments eligible for Latin American housing loan guarantees, (2) postpones deadline for 1 year for countries to meet requirements for investment guarantees, (3) authorizes the Department of Defense to sell military assistance loans, with its guarantee, and (4) increases development loan funds which the President may make available to international lending institutions.

VIII. Treasury Department.

A. National Capital Transportation Act of 1965—Public Law  
89-173

Authorizes additional loans of \$50 million to the District of Columbia to finance its share of the National Capital rail rapid transit system.

**IX. Farm Credit Administration****A. Amendments to Federal Farm Loan Act and Farm Credit Act of 1933—Public Law 89-237**

Revises borrowing authority, stock subscription, and other requirements in order to expedite retirement of Government stock in the Federal intermediate credit banks.

**X. Small Business Administration (and Farmers Home Administration)****A. Southeast Hurricane Disaster Relief Act of 1965—Public Law 89-339**

Authorizes partial cancellation of principal or waiver of interest due on certain loans made by the Small Business Administration and the Farmers Home Administration to victims of Hurricane Betsy.

SPECIAL ANALYSIS F

**FEDERAL ACTIVITIES IN PUBLIC WORKS**

Many types of public works, large and small, are needed to carry on the civil and defense activities of the Federal Government. Some of these works are built and owned by the Federal Government. Others are constructed by State or local governments with Federal financial assistance in the form of grants or loans. This public works analysis brings together from various parts of the budget information on Federal construction and federally aided State and local public works.

Federal expenditures also contribute significantly to the volume of construction undertaken by private cooperatives and nonprofit groups which provide services in the public interest. These activities are not included in the public works tables, but are summarized in a separate section of this analysis. The level of construction activity in the private sector is also affected by other Federal programs. For example, Federal procurement—particularly of defense and space equipment—results in private construction of industrial facilities the cost of which becomes a component in the price of supplies sold to the Government. Other construction aids to the private sector take the form of leases, loans, loan guarantees, and tax concessions.

**Table F-1. FEDERAL EXPENDITURES FOR PUBLIC WORKS,  
FISCAL YEARS 1958-67 (in millions of dollars)**

*From budget accounts and trust funds*

Year	Total, civil and defense public works	Civil public works				National defense public works
		Total	Federal construc- tion	Grants	Loans (net)	
1958.....	5,070	3,106	1,254	1,735	117	1,964
1959.....	6,684	4,535	1,521	2,871	143	2,150
1960.....	6,846	5,011	1,643	3,211	156	1,835
1961.....	6,823	4,925	1,878	2,897	149	1,898
1962.....	6,938	5,310	2,085	3,018	207	1,627
1963.....	7,196	5,790	2,321	3,280	190	1,405
1964.....	8,346	6,999	2,691	4,167	142	1,347
1965.....	8,886	7,521	2,800	4,553	167	1,366
1966 estimate.....	9,167	7,697	2,961	4,528	209	1,470
1967 estimate.....	8,939	7,617	2,902	4,854	-139	1,322

Note.—In this and the following tables, nonconstruction costs are excluded; proposed legislation is included for the years 1966 and 1967. Details may not add because of rounding.

Federal and federally aided public works constitute an important part of the aggregate annual volume of public construction. In calendar year 1965 direct Federal public works expenditures accounted for 19% of the total volume of public construction in the United

States. The 81% for State and local public works included two components—the Federal aid segment of 16% and the State and local funds of 65%.

Table F-2. EXPENDITURES AND 1967 NEW AUTHORIZATIONS FOR CIVIL PUBLIC WORKS, BY AGENCY (in millions of dollars)

*From budget accounts and trust funds*

Type of program and agency	Expenditures			New authorizations, 1967 estimate
	1965 actual	1966 estimate	1967 estimate	
<b>Federal construction:</b>				
Legislative Branch.....	14	20	22	47
Public works acceleration.....	33	*		
Office of Economic Opportunity.....	17	78	30	
Forest Service.....	100	104	120	103
Corps of Engineers—Civil.....	919	992	1,025	1,054
Public Health Service.....	26	36	42	33
Bureau of Indian Affairs.....	71	49	67	75
Bureau of Reclamation.....	247	237	220	220
Bonneville Power Administration.....	38	68	103	108
National Park Service.....	65	60	61	56
Post Office Department.....	56	15	40	48
International Boundary and Water Commission.....	11	23	21	10
Coast Guard.....	28	18	40	29
Federal Aviation Agency.....	81	68	77	28
General Services Administration.....	224	250	246	229
National Aeronautics and Space Administration.....	531	495	300	102
Veterans Administration.....	83	84	74	53
Tennessee Valley Authority.....	135	174	192	45
Other.....	121	190	222	124
<b>Total, Federal construction.....</b>	<b>2,800</b>	<b>2,961</b>	<b>2,902</b>	<b>2,364</b>
<b>Grants to State and local governments:</b>				
Public works acceleration.....	258	117	7	
Soil Conservation Service.....	58	61	66	62
Economic Development Administration.....		7	67	147
Bureau of Public Roads.....	3,957	3,923	3,999	4,174
Office of Education.....	52	129	256	422
Public Health Service.....	66	65	98	154
Federal Water Pollution Control Administration.....	70	77	88	188
Federal Aviation Agency.....	71	65	60	50
Department of Housing and Urban Development.....		10	94	198
District of Columbia.....		10	23	23
Other.....	21	64	96	123
<b>Total, grants.....</b>	<b>4,553</b>	<b>4,528</b>	<b>4,854</b>	<b>5,541</b>
<b>Loans to State and local governments, net:</b>				
Economic Development Administration.....	8	15	15	33
Bureau of Reclamation.....	12	15	14	10
Office of Education.....		5	20	100
Department of Housing and Urban Development.....	126	120	-247	
District of Columbia.....	11	38	45	38
Department of Agriculture.....	5	12	8	7
Other.....	6	3	5	*
<b>Total, loans.....</b>	<b>167</b>	<b>209</b>	<b>-139</b>	<b>188</b>
<b>Total, civil public works.....</b>	<b>7,521</b>	<b>7,697</b>	<b>7,617</b>	<b>8,093</b>

\*Less than \$500 thousand.

Federal expenditures for public works are a significant portion of Federal outlays. Total Federal expenditures for public works in fiscal year 1967 are estimated at \$8.9 billion, of which \$7.6 billion will be for civil public works and \$1.3 billion for military public works and atomic energy facilities. The 1967 estimate is \$228 million below the 1966 total. The largest decreases in direct Federal construction are in military public works and space-flight facilities. Increases in grants to States are more than offset by the reduction in net loan expenditures for State and local public works under proposed legislation to facilitate greater use of private credit through sales of shares in pools of loans made by the Government.

About half of the expenditures in each of the three years, 1965, 1966, and 1967, will be for grants, reflecting the \$3.9 billion level of expenditures for the Federal-aid highway programs and the significant new grant programs authorized in fiscal years 1965 and 1966. These increases will be offset in part by the \$110 million decrease in grants for the public works acceleration program, which will be virtually completed in fiscal year 1966.

#### CIVIL PUBLIC WORKS

Civil public works expenditures are estimated at \$7.6 billion in fiscal year 1967. Grants for the Federal-aid highway programs, financed from trust funds, make up slightly more than half of this total. Expenditures for the natural resources programs, most of which are direct Federal expenditures, are estimated at \$2 billion in 1967, about 26% of the total. The total estimate of \$7.6 billion for 1967, however, understates the amount of Federal construction activities. This is because many of the Federal loan programs are shown on a net basis—that is, loan repayments on prior-year construction facilities are netted against the current expenditures estimated for the year, thus understating the volume of assistance in the year for which the figures are shown.

Many new grant programs for various types of public works were authorized by the 89th Congress, particularly in the education and health programs. Also, grants were authorized for highways in Appalachia and for the Economic Development Administration.

*New and continuing work.*—In fiscal year 1967, direct Federal construction expenditures are estimated at \$4.2 billion, of which \$2.9 billion is for civil public works and \$1.3 billion for defense construction, including atomic energy facilities. Table F-3 summarizes the expenditures for direct Federal civil public works according to whether the expenditures will be for projects started in a prior year, new projects to be started in 1967, or advance planning on projects to be started after the budget year.

Most of the expenditures for civil public works in 1967 will be for continuation of the \$30.9 billion of construction that was started in prior years. Prior-year expenditures on these projects amount to \$18.5 billion. Thus, \$9.7 billion of expenditures will be required to complete the work underway.

The 1967 budget provides funds for starting new projects for which the total cost is estimated at \$2.5 billion. First-year expenditures on these projects in 1967 are estimated at \$170 million.

Table F-3. ESTIMATED COST OF 1967 DIRECT FEDERAL CIVIL PUBLIC WORKS BY CONTINUING AND NEW WORK (in millions of dollars)

From budget accounts and trust funds

Agency or program	Total estimated Federal cost	Expenditures prior to 1967	1967 estimated expenditures	Required to complete
<b>Continuing work:</b>				
Corps of Engineers.....	16,211	10,354	998	4,859
National Aeronautics and Space Administration.....	2,349	1,857	285	207
Tennessee Valley Authority.....	683	347	153	184
Bureau of Reclamation.....	5,457	3,447	213	1,796
General Services Administration.....	786	296	212	279
Bonneville Power Administration.....	437	68	96	273
Forest Service.....	695	573	96	27
Veterans Administration.....	415	219	68	129
Federal Aviation Agency.....	292	55	63	174
National Park Service.....	952	59	60	833
Bureau of Indian Affairs.....	652	308	57	288
Post Office Department.....	108	12	39	56
Public Health Service.....	175	58	31	86
Office of Economic Opportunity.....	125	95	30	-----
International Boundary and Water Commission.....	121	59	20	41
Other.....	1,446	724	247	473
<b>Total, continuing work.....</b>	<b>30,904</b>	<b>18,531</b>	<b>2,668</b>	<b>9,705</b>
<b>New projects and features in 1967:</b>				
Tennessee Valley Authority.....	243	3	37	204
Forest Service.....	30	-----	24	6
Coast Guard.....	27	-----	16	11
Federal Aviation Agency.....	27	-----	14	13
General Services Administration.....	559	-----	11	548
National Aeronautics and Space Administration.....	94	-----	10	84
Bureau of Indian Affairs.....	47	-----	10	37
Corps of Engineers—Civil.....	237	6	9	222
Bureau of Reclamation.....	1,000	1	6	993
Bonneville Power Administration.....	59	-----	6	52
Veterans Administration.....	48	*	5	43
Social Security Administration.....	26	-----	2	24
Post Office Department.....	48	-----	1	48
Other.....	65	2	19	44
<b>Total, new projects and features.....</b>	<b>2,510</b>	<b>11</b>	<b>170</b>	<b>2,329</b>
<b>Advance planning:</b>				
General Services Administration <sup>1</sup> .....	175	100	23	51
Corps of Engineers—Civil.....	61	21	18	22
National Aeronautics and Space Administration.....	20	4	5	10
Tennessee Valley Authority.....	13	2	3	8
National Park Service.....	14	1	2	11
Bureau of Reclamation.....	3	2	1	1
Other.....	30	4	12	15
<b>Total, advance planning.....</b>	<b>316</b>	<b>134</b>	<b>64</b>	<b>118</b>
<b>Total, direct civil public works.....</b>	<b>33,730</b>	<b>18,676</b>	<b>2,902</b>	<b>12,152</b>

\*Less than \$500 thousand.

<sup>1</sup> Includes some site costs.

In the water resources area, the Corps of Engineers will start construction of 25 new projects. The Bureau of Reclamation will start 3 large projects and a small project. The Tennessee Valley Authority will begin construction on the Tellico and Bear Creek projects and a steam powerplant. The Soil Conservation Service will start construction on 35 new watershed projects.

The Bureau of Indian Affairs will give particular emphasis in 1967 to the construction of new schools for Indian children.

The General Services Administration will start construction of 36 Federal buildings.

The Social Security Administration will acquire sites and begin construction of 30 district office buildings, as well as additional office space at the Baltimore headquarters. All of this construction will be financed from trust funds.

The \$1.2 billion modernization program for veterans hospitals will go forward in 1967. The Veterans' Administration expects to start on the replacement and relocation of hospital projects in Tampa, Fla., and Northport, N. Y.

Construction will be undertaken by the Public Health Service on new health facilities for the Indians. Public works to be undertaken by the Coast Guard will include facilities such as air stations, family quarters, cadet barracks, and navigation aids.

Among the projects to be started by other agencies are prison facilities; overseas office buildings and residences by the Department of State; and \$94 million of new facilities by the National Aeronautics and Space Administration.

*Public works planning and surveys.*—Construction of some types of public works is preceded by preliminary surveys and general investigations which help to assure economic design of facilities. Comprehensive river basin planning requires coordinated long-range economic, hydrologic, and land-use projections, which serve as a basis for planning individual water resource projects to be started in later years. Expenditures for such studies are not included in the summary tables of this analysis.

Expenditures of \$64 million will be made in 1967 for advance planning on specific projects, prior to start of construction (shown in table F-3), include outlays for acquisition of some sites for buildings. Advance planning will be started by the National Park Service on parkways, roads, camping and picnicking facilities, and other construction to meet the recreational needs of the increasing number of visitors to the park areas. The Public Health Service will begin planning for modernization of a number of hospitals and construction of an environmental health science center. In addition, the Department of Housing and Urban Development will disburse \$20 million in 1967 to State and local government agencies for advance planning of their public works. Such advance planning promotes economy and efficiency.

*Authorized reserve of direct Federal public works.*—Agencies whose programs regularly include construction of public works generally have a reserve of projects previously authorized. Such projects require only financing and planning for starting. The reserve provides a basis for selection of projects which most adequately fulfill program needs and budgetary policy. Table F-4 indicates the size and the status of planning on the authorized reserve.

Table F-4. RESERVE OF PRESENTLY AUTHORIZED PROJECTS AND PROGRAMS FOR UNDERTAKING AFTER 1967 (in billions of dollars)

Agency	Cost of authorized reserve						
	Estimated total Federal cost	Status of plans as of June 30, 1966			Status of plans as of June 30, 1967		
		Contract could be let	In process	Not started	Contract could be let	In process	Not started
Corps of Engineers—Civil.....	6.2	.5	2.7	2.9	1.4	2.3	2.5
Forest Service.....	1.4	.2	1.2	.....	.2	1.2	.....
Tennessee Valley Authority.....	1.1	.1	.6	.4	.4	.5	.2
Bureau of Land Management.....	.6	*	*	.6	*	*	.6
Federal Aviation Agency.....	.4	.1	.1	.2	.1	.1	.1
General Services Administration.....	.4	*	.2	.1	.2	.1	.1
Bureau of Reclamation.....	.3	*	.1	.2	.1	*	.2
Bonneville Power Administration.....	.3	.....	.....	.3	.....	*	.3
Other agencies.....	.6	*	.2	.4	.1	.3	.2
Total.....	11.3	.9	5.2	5.2	2.6	4.6	4.2

\*Less than \$50 million.

*Civil public works by function.*—The Federal public works activities are classified in table F-7 by major functional categories.

The commerce and transportation function, with its large grant outlays for highways and airports and its direct outlays for air navigation facilities and post offices, accounts for \$4.3 billion of the \$7.6 billion of estimated total expenditures for civil public works in the 1967 budget.

In contrast, expenditures of \$2 billion for natural resources programs—the next largest functional category—are mainly for direct Federal work. Construction of water resources and related power developments are estimated at \$1.6 billion in 1967 (table F-5). Other expenditures will be for parkways, highways, roads and trails, and recreational facilities in the national parks, forests, and Indian and public domain lands; fish and wildlife facilities; and research and engineering facilities for the desalinization of sea and brackish water, coal utilization, and conversion of junk automobiles into usable products. In the agriculture function, the major share of the construction is for research facilities and for the recently enacted program of grants for rural water and sewer systems.

Table F-5. BUDGET EXPENDITURES FOR WATER RESOURCES AND RELATED DEVELOPMENTS (in millions of dollars)

Type	1965 actual	1966 estimate	1967 estimate
<b>Flood control works:</b>			
Corps of Engineers—Civil	392.1	379.9	394.4
Grants	11.9	18.3	20.7
Bureau of Reclamation	9.3	15.0	11.6
Soil Conservation Service (mostly grants)	52.4	56.1	59.1
International Boundary and Water Commission	.2	1.5	2.6
Tennessee Valley Authority	3.0	3.2	3.9
<b>Total, flood control works</b>	<b>468.9</b>	<b>474.0</b>	<b>492.3</b>
<b>Beach erosion control: Corps of Engineers—Civil</b>	<b>1.8</b>	<b>3.1</b>	<b>1.7</b>
<b>Irrigation and water conservation works:</b>			
Bureau of Reclamation	88.6	41.5	73.7
Loan and grant program	12.0	14.9	13.9
Soil Conservation Service (mostly grants)	10.6	14.9	12.5
Bureau of Indian Affairs	8.2	13.0	8.0
<b>Total, irrigation works</b>	<b>119.4</b>	<b>84.3</b>	<b>108.1</b>
<b>Navigation facilities:</b>			
Corps of Engineers—Civil	259.0	258.2	268.0
Saint Lawrence Seaway Development Corporation	.7	1.2	.1
Tennessee Valley Authority	6.3	1.6	.9
<b>Total, navigation facilities</b>	<b>266.0</b>	<b>261.0</b>	<b>269.0</b>
<b>Multiple-purpose dams and reservoirs with hydroelectric power facilities:</b>			
Bureau of Reclamation	100.9	139.1	104.4
Corps of Engineers—Civil	241.8	322.8	333.9
International Boundary and Water Commission	8.5	8.2	5.4
Tennessee Valley Authority	11.9	33.5	33.6
<b>Total, multiple-purpose facilities</b>	<b>363.1</b>	<b>503.6</b>	<b>477.3</b>
<b>Steam-electric powerplants: Tennessee Valley Authority</b>	<b>45.9</b>	<b>47.5</b>	<b>67.4</b>
<b>Power transmission facilities:</b>			
Tennessee Valley Authority	55.4	68.3	68.3
Bureau of Reclamation	47.9	41.2	30.4
Bonneville Power Administration	37.6	66.1	101.5
Southwestern Power Administration	2.8	4.2	4.8
<b>Total, power transmission facilities</b>	<b>143.7</b>	<b>179.8</b>	<b>205.0</b>
<b>Water supply and waste disposal facilities:</b>			
International Boundary and Water Commission		.3	1.0
Federal Water Pollution Control Administration	69.8	77.0	98.5
Farmers Home Administration		20.0	21.0
Department of Housing and Urban Development:			
Grants		1.2	50.8
Loans (net)	34.3	20.2	-45.0
<b>Total, water supply and waste disposal</b>	<b>104.1</b>	<b>118.7</b>	<b>126.3</b>
<b>Total, water resources and related developments</b>	<b>1,512.9</b>	<b>1,672.0</b>	<b>1,747.1</b>

Increases in the health, labor, and welfare programs are mainly in the grants for hospitals, mental health centers, and water pollution facilities. Expenditures for the construction of Job Corps centers and related facilities are estimated to decrease from \$78 million in 1966 to \$30 million in 1967.

The major increase in the education function is for grants for higher education facilities. New loans for college housing are estimated to be \$333 million in 1967. However, loans for college housing, shown on a net basis, include proposed legislation to facilitate sales of shares in pools of such loans, thus reducing 1967 expenditures for education below the 1966 level. Similarly, expenditures for housing and community development, estimated at \$88 million in 1966 and \$128 million in 1967, include loans on a net basis.

A major decrease of \$195 million is estimated for the space program (from \$495 million in 1966 to \$300 million in 1967), largely as a result of completion of facilities for the manned lunar landing program.

#### NATIONAL DEFENSE PUBLIC WORKS

*Department of Defense—Military.*—The 1967 budget makes provision for implementing a 5-year force structure and financial plan to strengthen and modernize the Armed Forces of the United States. The construction program supports missions and activities of the various services both at home and overseas. It includes facilities used for operations, training, maintenance, research and development, logistics, administration, and troop housing. The program also includes facilities to accommodate the transfer of missions resulting from base closures.

Approximately \$110 million of the \$593 million of new obligational authority for direct construction in 1967 is for facilities in support of research and development. All facilities required to support the realignment of the Army Guard and Reserve forces in 1967 will be financed by prior-year funds.

Expenditures are estimated to decrease from \$1.3 billion in 1966 to \$1.2 billion in 1967. The major decreases are in Air Force construction and family housing programs.

*Atomic Energy Commission.*—Expenditures during fiscal year 1967 will be primarily for continuation of work on production plants and on research and development facilities previously authorized. New projects proposed for 1967 include modifications and additions to existing facilities, as well as additional research and development facilities for weapons development, reactor development, and research in the physical and biomedical sciences.

#### AID TO COOPERATIVES AND NONPROFIT GROUPS

Federal grant and loan programs which provide aid for public works of State and local governments sometimes include funds for private nonprofit institutions which carry on similar construction activities, such as those for educational opportunities, promotion of health, and conduct of research. These aids for quasi-public construction activities are not included in the public works tables of this analysis. However, they are shown in table F-6.

Table F-6. FEDERAL EXPENDITURES FOR CONSTRUCTION BY COOPERATIVE AND NONPROFIT GROUPS (not included in civil public works)

(In millions of dollars)

Program	1965 actual	1966 estimate	1967 estimate
<b>Federal construction:</b>			
Howard University.....	1	4	5
Gallaudet College.....	3	1	1
<b>Grants:</b>			
Hospital construction.....	124	130	146
Health professions educational facilities.....		24	44
Health research facilities.....	33	37	40
University laboratories.....	40	50	50
Higher education facilities.....	8	42	103
Public works acceleration program.....	30	8	1
<b>Loans:</b>			
Rural electrification and telephones (net in 1966 and 1967).....	381	190	194
College housing (net).....	157	151	-318
Higher education facilities.....	2	55	30
<b>Total.....</b>	<b>779</b>	<b>692</b>	<b>296</b>

Table F-7. FEDERAL ACTIVITIES IN PUBLIC WORKS (in millions of dollars)

By major function and agency

Function, organization unit, and program	NEW AUTHORIZATIONS			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>CIVIL PUBLIC WORKS</b>						
<b>International Affairs and Finance</b>						
Department of State:						
State Department and Foreign Service buildings.....	6.1	9.5	4.7	6.3	3.2	7.6
Cultural and Technical Interchange Center, Hawaii (grant).....			.2			.2
U.S. Information Agency: Radio facilities and special international exhibitions.....	5.7	22.7	18.8	5.1	8.8	15.7
Total, international affairs and finance.....	11.8	32.2	23.8	11.3	12.0	23.6
<b>Space Research and Technology</b>						
National Aeronautics and Space Administration:						
Research and space flight facilities.....	266.4	60.0	101.5	530.9	495.0	300.0
<b>Agriculture and Agricultural Resources</b>						
Department of Agriculture:						
Laboratories, research facilities, and library.....	7.3	19.4	2.7	1.8	15.2	20.7
Grants for research facilities.....	3.2	2.0		.2	2.0	
Soil Conservation Service: Resource conservation and development loans.....	.5	1.5	.5	.1	.8	1.6

Table F-7. FEDERAL ACTIVITIES IN PUBLIC WORKS

(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW AUTHORIZATIONS			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>CIVIL PUBLIC WORKS—Continued</b>						
<b>Agriculture and Agricultural Resources—Continued</b>						
Department of Agriculture—Continued						
Farmers Home Administration:						
Rural renewal loans.....	1.0	1.0	1.0	.7	1.8	1.0
Grants for rural housing.....		3.0	3.0		3.0	3.0
Grants for rural water and sewer systems.....		20.0	26.0		20.0	21.0
Total, agriculture and agricultural resources.....	12.0	46.9	33.1	2.9	42.8	47.3
<b>Natural Resources</b>						
Department of Agriculture:						
Soil Conservation Service: Flood Prevention and watershed protection:						
Direct work.....	.3	.3	.3	.3	.4	.4
Grants.....	67.4	62.1	61.7	58.3	61.0	65.6
Loans.....	7.3	5.7	5.2	4.4	9.6	5.6
Forest Service:						
Roads and research, recreational and protective facilities.....	107.1	106.4	103.1	100.1	104.2	119.8
Department of Defense—Civil:						
Corps of Engineers—Civil:						
Flood control, navigation, and multiple-purpose projects with power.....	1,022.7	1,060.5	1,026.9	894.6	964.0	998.0
Trust funds.....	20.1	20.2	27.1	24.5	28.0	27.0
Grants.....	11.9	18.3	20.7	11.9	18.3	20.7
Department of the Interior:						
Bureau of Land Management: Roads and other facilities.....	19.1	17.1	9.9	7.7	9.3	8.5
Bureau of Indian Affairs: Irrigation works, roads and schools.....	71.9	53.1	75.2	71.2	49.4	66.6
Geological Survey: Laboratory.....	1.0			.1	.6	.2
Bureau of Mines:						
Laboratories, demonstration plants, and helium facilities.....		1.0	2.6	.8	2.5	5.8
Appalachian mining area restoration and anthracite mine drainage grants.....	15.5		10.6	.4	.6	13.2
Office of Coal Research: Demonstration plants.....	2.2	2.9	4.0	1.2	4.3	4.9
Bureau of Commercial Fisheries: Facilities.....	4.2	1.3	.5	4.3	3.8	2.4
Bureau of Sport Fisheries and Wildlife: Facilities.....	9.3	18.3	3.2	8.2	8.0	10.0
Appalachian restoration projects (grants).....	1.2		1.2		.6	.8
National Park Service: Parkways, roads, buildings, and utilities <sup>1</sup> .....	67.0	53.2	55.8	64.8	60.2	61.2
Bureau of Reclamation:						
Irrigation and multiple-purpose projects with power <sup>1</sup> .....	242.8	241.4	219.5	246.7	236.9	220.1
Loans, small irrigation projects.....	10.1	13.2	9.9	12.0	14.7	13.9
Grants, small irrigation projects.....	.1	.1			.1	

See footnotes at end of table.

Table F-7. FEDERAL ACTIVITIES IN PUBLIC WORKS  
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW AUTHORIZATIONS			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>CIVIL PUBLIC WORKS—Continued</b>						
<b>Natural Resources—Continued</b>						
Department of the Interior—Continued						
Power transmission facilities:						
Bonneville Power Administration <sup>1</sup> . . .	86.9	97.7	107.7	38.2	67.7	102.6
Southwestern Power Administration . . .	2.6	2.2	4.5	2.8	4.2	4.8
Office of Saline Water: Demonstration plants and research facilities . . . . .	1.4	5.6	9.4	.8	4.3	7.2
Department of State:						
International Boundary and Water Commission: Water resources projects and Chamizal settlement . . . . .	38.3	17.5	9.9	11.4	23.0	21.0
Restoration of salmon runs, Fraser River system . . . . .					.1	
Facilities for International Pacific Halibut Commission (grant) . . . . .		.5			.3	.2
Tennessee Valley Authority: Power, water resources and chemical facilities . . . . .	32.2	41.3	44.8	135.1	174.4	192.5
Total, natural resources . . . . .	1,842.7	1,840.0	1,813.8	1,700.0	1,850.4	1,972.9
<b>Commerce and Transportation</b>						
Funds appropriated to the President:						
Public works acceleration:						
Grants . . . . .	4.0			258.4	117.0	7.0
Direct Federal work . . . . .				33.2	.1	
Department of Commerce:						
Appalachian assistance: Grants . . . . .	45.0		35.0		3.4	16.4
Economic Development Administration:						
Grants for public facilities . . . . .		150.0	146.5		7.0	67.1
Loans for public facilities . . . . .	14.8	34.9	33.3	7.9	15.4	15.5
Area Redevelopment Administration:						
Grants for public facilities . . . . .				8.4	6.0	6.0
Environmental Science Services Administration: Structures . . . . .						1.4
Coast and Geodetic Survey: Observatories and facilities . . . . .	.6	.8		( <sup>2</sup> )	1.1	
Bureau of Standards: Buildings . . . . .	5.6		1.2	22.5	16.3	8.6
Weather Bureau: Facilities . . . . .	.4	.4		.3	.3	
Maritime Administration: Library and other improvements . . . . .	.8				( <sup>2</sup> )	.6
Bureau of Public Roads:						
Federal-aid highways and other trust funds: Grants . . . . .	3,790.9	3,938.5	4,044.8	3,919.0	3,860.8	3,897.5
Woodrow Wilson Bridge . . . . .				( <sup>2</sup> )	.2	
Appalachian development highways: grants . . . . .	199.6		129.6	( <sup>2</sup> )	19.6	101.1
Forest and public lands highways, Grants . . . . .	38.3	38.2		38.1	42.0	
Control of outdoor advertising, grants . . . . .				.1	1.0	.5
Department of Defense—Civil: Panama Canal Company: Canal and harbor improvements and bridge . . . . .				5.8	7.7	6.8

See footnotes at end of table.

Table F-7. FEDERAL ACTIVITIES IN PUBLIC WORKS  
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW AUTHORIZATIONS			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>CIVIL PUBLIC WORKS—Continued</b>						
<b>Commerce and Transportation—Con.</b>						
Department of the Interior: Alaska Railroad.....	1.3	4.1	-----	12.0	13.9	.4
Post Office Department: Improvements and alterations.....	10.9	17.8	48.2	56.3	15.0	40.0
Treasury Department: Coast Guard: Air stations, quarters, and navigation aids.....	21.7	19.6	29.1	27.8	17.8	39.6
Federal Aviation Agency:						
Air traffic control, navigation, and research facilities.....	49.0	48.2	28.0	76.9	63.4	73.0
Dulles and National Airports.....	1.9	1.2	-----	4.5	4.3	3.9
Federal-aid airport program: Grants.....	75.0	75.0	50.0	70.6	65.0	60.0
Federal Communications Commission: Construction.....	.1	.1	.1	.1	.1	.1
St. Lawrence Seaway Development Corporation: Alterations.....	-----	-----	-----	.7	1.2	.1
<b>Total, commerce and transportation.....</b>	<b>4,259.8</b>	<b>4,328.9</b>	<b>4,545.8</b>	<b>4,542.4</b>	<b>4,278.6</b>	<b>4,345.6</b>
<b>Housing and Community Development</b>						
Department of Housing and Urban Development:						
Urban transportation grants.....	21.0	73.0	73.0	-----	8.0	31.0
Public facility loans (net).....	-----	-----	-----	38.1	22.5	-52.5
Grants for water and sewer facilities.....	-----	100.0	100.0	-----	1.2	50.8
Grants for neighborhood facilities.....	-----	12.0	25.0	-----	1.2	12.5
Advance planning, non-Federal public works: Loans (net).....	14.0	15.0	-----	7.9	7.9	10.0
Liquidating programs: Loans (net).....	-----	-----	-----	-.4	-3.1	-.5
Low-rent public housing loans (net).....	-----	-----	-----	11.3	-5	(?)
National Capital Transportation Agency:						
Land acquisition and construction.....	-----	3.7	17.1	.1	2.7	9.1
District of Columbia:						
Loans for highway, sewer, and water systems and other structures.....	26.4	28.3	37.5	10.7	38.2	45.3
Federal payment to District: Grant.....	-----	9.7	22.9	-----	9.7	22.9
<b>Total, housing and community development.....</b>	<b>61.4</b>	<b>241.7</b>	<b>275.5</b>	<b>67.6</b>	<b>87.9</b>	<b>128.4</b>
<b>Health, Labor, and Welfare</b>						
Office of Economic Opportunity: Job Corps centers and related facilities.....	55.0	70.0	-----	17.0	78.0	30.0
Department of Health, Education, and Welfare:						
Food and Drug Administration: Buildings.....	10.9	5.7	4.1	.8	1.0	5.0

See footnotes at end of table.

Table F-7. FEDERAL ACTIVITIES IN PUBLIC WORKS  
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW AUTHORIZATIONS			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>CIVIL PUBLIC WORKS—Continued</b>						
<b>Health, Labor, and Welfare—Continued</b>						
Department of Health, Education, and Welfare—Continued						
Public Health Service:						
Federal research facilities and National Library of Medicine.....	22.5	9.0	18.3	16.5	28.1	28.1
Indian health facilities <sup>1</sup> .....	9.0	14.3	14.6	9.6	8.2	14.2
Grants for public hospitals.....	86.3	94.5	98.0	64.1	60.0	70.0
Grants for health research facilities.....	1.5	1.5	1.5	1.8	3.6	1.5
Hospital planning grants, proposed.....			5.0			2.0
Grants for mental health centers.....	35.0	50.0	50.0		1.6	25.0
Federal Water Pollution Control Administration:						
Buildings and facilities.....			4.6			10.0
Grants, including proposed legislation.....	93.0	121.0	188.0	69.8	77.0	88.5
Saint Elizabeths Hospital: Buildings.....	2.0	2.0	2.1	.7	3.0	3.0
Social Security Administration: Buildings and district offices (trust fund).....	.3	4.7	11.4	.3	4.7	11.4
Total, health, labor, and welfare.....	315.5	372.7	397.6	180.8	265.2	288.6
<b>Education</b>						
Department of Health, Education, and Welfare:						
Office of Education:						
Schools in federally affected areas:						
At Federal installations.....	8.9	17.3	9.9	8.2	11.3	14.4
Grants.....	48.8	32.1	12.4	29.2	35.0	30.0
Higher education facilities:						
Loans.....		35.0	100.0		5.0	20.0
Grants.....	170.0	340.0	340.0		51.0	162.6
Vocational schools (grants).....	33.0	50.0	40.0	21.3	33.0	39.0
Libraries (grants).....	30.0	30.0	30.0	1.1	10.0	24.1
Department of Housing and Urban Development: College housing loans (net).....	125.0	140.0		68.7	93.1	-203.4
National Science Foundation: Research facilities.....	7.0	7.6	11.9	8.0	8.0	7.3
Smithsonian Institution:						
John F. Kennedy Center for Performing Arts.....	15.5			1.8	6.0	10.0
Museums.....	4.0	4.0	4.3	8.4	11.7	3.4
Total education.....	442.2	656.0	548.5	146.8	264.1	107.4
<b>Veterans Benefits and Services</b>						
Department of Defense—Civil:						
Army: Cemeteries.....	3.7	1.0	1.5	.9	2.6	2.3
United States Soldiers' Home (trust fund).....			3.6	.1	.2	1.1

See footnotes at end of table.

Table F-7. FEDERAL ACTIVITIES IN PUBLIC WORKS

(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW AUTHORIZATIONS			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>CIVIL PUBLIC WORKS—Continued</b>						
<b>Veterans Benefits and Services—Continued</b>						
Veterans Administration:						
Hospital and domiciliary facilities.....	98.1	90.5	52.1	80.6	83.2	73.1
Research facilities.....	2.4	.4	.4	2.2	.4	.4
Construction of State nursing homes, grants.....		2.5	4.0		.5	.9
Corregidor-Bataan Memorial.....	.1	1.4		( <sup>2</sup> )	.2	1.0
American Battle Monuments Commission: Memorials and cemeteries.....				.1	( <sup>2</sup> )	
<b>Total, veterans benefits and services.....</b>	<b>104.3</b>	<b>95.8</b>	<b>61.7</b>	<b>83.8</b>	<b>87.2</b>	<b>78.7</b>
<b>General Government</b>						
Legislative branch:						
Architect of the Capitol: Buildings and James Madison library.....	3.5	79.7		13.1	18.5	7.6
Government Printing Office: Annex.....	2.5		46.7	.4	1.9	14.2
Department of Defense—Civil						
Army: Power and water systems, Ryukyu Islands: Loans.....				3.3	.9	
Canal Zone Government: Improvements.....	4.8	9.0	4.2	4.4	8.0	8.6
Department of the Interior:						
Office of Territories: Public facilities in Samoa, Guam and the Trust Territory of the Pacific Islands:						
Grants.....	12.2	7.4	7.5	1.0	8.8	13.0
Loans.....	10.9	5.9	.3	2.4	2.3	5.1
Department of Justice:						
Immigration and Naturalization Service: Border facilities.....	.3	.2		.3	.3	.2
Federal Prison System: Prison facilities.....	23.0	4.3	3.5	4.3	11.2	8.9
Treasury Department:						
Bureau of Customs: Border facilities.....	.2	.2	.2	.2	.2	.2
Bureau of Engraving and Printing: Air conditioning.....	5.8			.3	3.0	2.5
Bureau of the Mint: Philadelphia Mint.....	16.5	22.3		.1	8.5	16.4
General Services Administration: Construction of public buildings, sites and planning <sup>1</sup> .....	242.7	207.0	229.0	223.8	249.6	246.1
Central Intelligence Agency: Headquarters.....				.4	.7	1.3
<b>Total, General Government.....</b>	<b>322.4</b>	<b>336.1</b>	<b>291.4</b>	<b>254.0</b>	<b>313.9</b>	<b>324.2</b>
<b>Total, civil public works.....</b>	<b>7,638.6</b>	<b>8,010.1</b>	<b>8,092.7</b>	<b>7,520.6</b>	<b>7,697.2</b>	<b>7,616.8</b>

See footnotes at end of table.

Table F-7. **FEDERAL ACTIVITIES IN PUBLIC WORKS**  
(in millions of dollars)—Continued

*By major function and agency*

Function, organization unit and program	NEW AUTHORIZATIONS			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>NATIONAL DEFENSE PUBLIC WORKS</b>						
Department of Defense—Military:						
Interservice activities:						
Construction, Defense agencies.....	14.4	219.8	7.5	31.7	40.0	75.0
Loran stations.....	5.0	5.0			10.0	
Family housing.....	156.3	175.1		149.1	150.0	35.0
Civil Defense:						
Grants for shelters.....	5.3	3.5	16.0	3.3	4.0	6.0
Emergency centers and shelters.....		7.8		( <sup>2</sup> )	.5	1.0
Army:						
Construction.....	345.2	921.1	190.6	199.2	320.0	380.0
Construction, Army Reserve.....	5.0			6.0	2.0	.3
Construction, Army National Guard (grants).....	10.8	10.0		11.1	8.0	8.7
Navy:						
Construction.....	269.9	627.2	133.6	245.1	275.0	250.0
Construction, Naval Reserve.....	7.0	9.5	5.4	6.8	6.0	6.0
Air Force:						
Construction.....	373.1	693.8	242.9	489.6	465.0	385.0
Construction, Air Force Reserve.....	5.0	4.0	3.6	3.6	4.0	5.0
Construction, Air National Guard.....	14.0	10.0	9.4	13.8	10.0	10.0
Total, Department of Defense— Military.....	1,211.0	2,686.8	609.0	1,159.4	1,294.5	1,162.0
Atomic Energy Commission: Facilities.....	183.4	88.9	127.8	206.4	175.0	160.0
<b>Total, national defense public works.....</b>	<b>1,394.4</b>	<b>2,775.7</b>	<b>736.9</b>	<b>1,365.7</b>	<b>1,469.5</b>	<b>1,322.0</b>
<b>Total, civil and defense public works:</b>						
Budget accounts and trust funds.....	9,033.0	10,785.8	8,823.5	8,886.3	9,166.7	8,938.8

<sup>1</sup> Includes small amounts from trust funds.

<sup>2</sup> Less than \$50 thousand.

## SPECIAL ANALYSIS G

### FEDERAL EDUCATION, TRAINING, AND RELATED PROGRAMS

This analysis provides information on all programs of the Federal Government which contribute to the support of education, training, and related activities, regardless of the agency which administers them or their primary purpose. It is the first comprehensive analysis of Federal education, training, and related programs based on data in the annual U.S. budget. The data cover fiscal years 1965-1967.

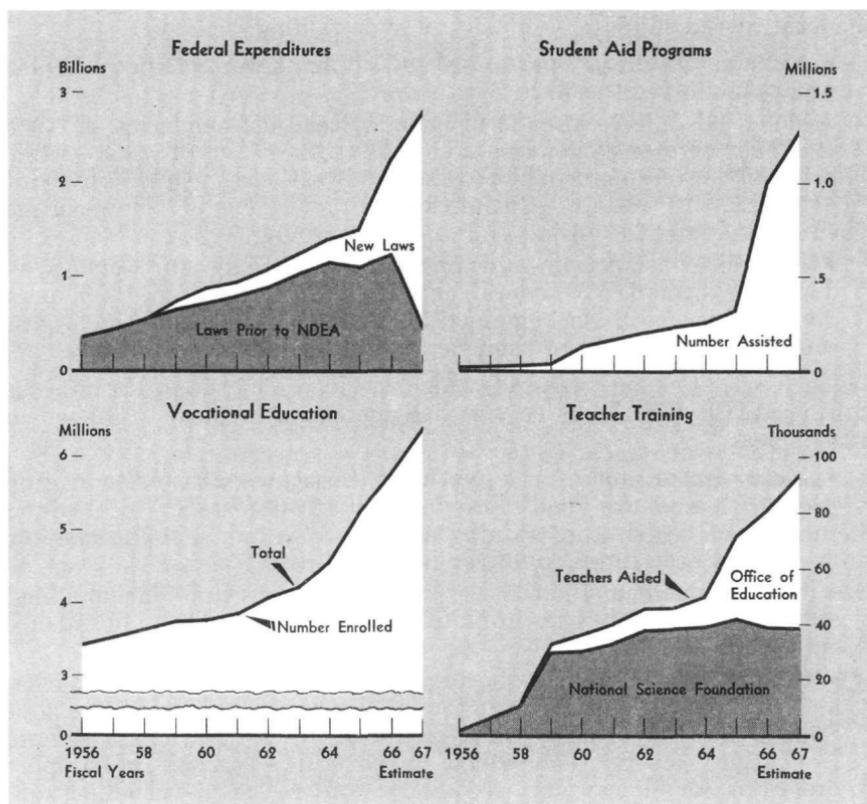
The Government will spend an estimated \$8.4 billion in 1967 for all education, training, and allied programs broadly defined. This total encompasses all programs classified in the budget functional category 700, "education," for which expenditures in 1967 are estimated to be \$2.8 billion. In addition, it includes \$5.6 billion for education and training activities classified in other functional categories, including training, conduct of research at universities, national libraries and library aid programs, military professional and occupational training with transfer value to the civilian economy, and aid for international educational activities. Funds for facilities, aid for students, and institutional support all are included.

Almost all of these education, training, and related expenditures of \$8.4 billion will be from administrative budget funds. They comprise 7.4% of all regular budget expenditures. Trust fund expenditures will total \$15 million. Together budget and trust expenditures for these programs account for 5.8% of Federal cash payments to the public.

The \$8.4 billion in estimated expenditures in this analysis is an increase of \$1.3 billion over 1966, and \$3.2 billion over 1965. The rise from 1966 is dampened by the effect of estimated receipts from sales of participations in college facility loan pools and offsets due to greater reliance on private credit for student loans under proposed legislation. Expenditures for programs under existing legislation are projected to total \$9.3 billion in 1967, an increase of \$2.2 billion from 1966 and \$4.0 billion from 1965.

New obligational authority in 1967 for all the education, training, and related programs will total \$10.2 billion, \$0.5 billion more than in 1966 and \$3 billion over 1965. The gross amount of aid under Federal programs in 1967 will actually be about \$1 billion higher, because of the proposed greater reliance on private credit. Although no new obligational authority will be provided for college housing in 1967, commitments for loans from available funds and receipts from loan participation pool sales will continue at about the present level of \$300 million. It is also proposed that academic facility loans of \$100 million be financed from proceeds of loan participation pool sales. Likewise, an estimated 829,000 student loans, totaling about \$800 million will be made for college and vocational training by private institutions with Government interest subsidies through guaranteed programs authorized by the Higher Education Act of 1965 or other laws.

## Education — Program Trends



*The development of Federal education, training and related programs.*—The high value placed on education by the American people is reflected in the substantial and increasing proportion of public, as well as private, resources which are devoted to the support of education. In the last decade, particularly, total outlays for education from all sources have increased 50% in relation to the GNP, and in absolute terms have risen two and one-half times. Federal aid to education has grown rapidly during this period—as illustrated by the nearly five-fold increase in the programs in the functional category “education.” The accompanying trend chart shows the contribution of new laws since 1958 on the expansion of Federal aid for the segment of funds normally classified in the budget as “education.”

Although historically the financing of education has been preponderantly a State and local concern, Federal assistance for education dates back to the allocation of public lands for support of schools in 1785. It has been marked by such milestones as the Morrill Act of 1862 which authorized grants of land or scrip for the establishment of land-grant colleges, the Smith-Lever Act of 1914 relating to cooperative extension work by colleges, and the Smith-Hughes Act of 1917 and the George Barden Act of 1946 which provided support for vocational and technical education.

The rapid expansion of national defense and war-related programs during and following World War II has resulted in enlarging the Federal role in support of education and training:

- Millions of military personnel and civilians were trained in crash programs during the war.
- The "GI bills"—the Servicemen's Readjustment Act of 1944 and the Veterans' Readjustment Assistance Act of 1952—while primarily veteran's benefit programs, nevertheless resulted in about \$19 billion of Federal expenditures for college and below-college education, and for on-job and on-farm training.
- Federal construction and operating assistance for schools in districts affected by Federal activities, authorized in 1950 on a greatly enlarged basis, remained for more than a decade the largest source of Federal aid to elementary and secondary education.

Science activities and training, which received a considerable impetus during World War II, have also had increasing Federal attention in recent years:

- Major expansion of the National Institutes of Health during the 1950's and the 1960's provided an effective focus for Federal support of health and training and has resulted in increasing the flow of research funds to universities.
- Establishment in 1950 of the National Science Foundation added a new source of funds to promote basic science research and science education.
- Concern over the large shortages in manpower trained in mathematics, science, and modern foreign languages following the first Sputnik in 1957 led to the enactment of the National Defense Education Act in 1958 which authorized a variety of support programs for elementary, secondary, and college level education.

Shortages of highly trained professional personnel and technicians have likewise led to the enactment of many training programs related to specific fields or missions. A good example is the Health Professions Educational Assistance Act of 1963, more recently augmented by amendments in 1965. The Vocational Education Act of 1963 was designed to reorient earlier Federal-State vocational education programs to meet current day needs for technicians. Growing awareness of the necessity for retraining unemployed persons and for updating skills in a rapidly changing economy similarly led to the Manpower Development and Training Act of 1962.

The major effort launched by President Johnson in calendar 1964 to attack the causes of poverty has placed a heavy reliance on education and training. The Economic Opportunity Act of 1964 authorized 10 major action programs, including the Job Corps, Neighborhood Youth Corps, Adult Literacy, Work Experience, College Work-Study, and Community Action programs, which in 1967 will provide more than \$1 billion for basic adult education, work-training, preschool, and other educational and training activities. The strengthening of education through other programs is also a major part of the anti-poverty effort.

The Government has made great strides in recent years in providing direct Federal support for education at all levels. The Higher Education Facilities Act of 1963 authorized major Federal assistance through

grants and loans for construction of undergraduate and graduate academic facilities. Previously, Federal aid for facilities was essentially restricted to college housing loans, first authorized by the Housing Act of 1950, and special-purpose grants, largely in the science area.

The largest advances of all in Federal aid for education were made by the 89th Congress. The Elementary and Secondary Education Act of 1965 authorized more than \$1 billion of Federal funds for 1966 alone to strengthen elementary and secondary education for children from low-income families. It also authorized funds for supplementary educational centers and services; for school library resources, textbooks, and other instructional materials; for regional education "laboratories" designed to bring innovation to the classrooms; and for strengthening State departments of education.

The Higher Education Act of 1965 authorized a major broadening of Federal support of higher education including assistance for (1) community service and continuing education programs; (2) college library resources, library training and research; (3) strengthening of developing colleges; (4) student assistance on a greatly enlarged scale through educational opportunity grants up to \$1,000, federally subsidized, guaranteed student loans, and an expansion and liberalization of the college work-study program enacted in 1964; (5) instructional equipment; and (6) liberalization of grants for higher educational facilities. It also authorized new programs for graduate training of schoolteachers and for establishment of a National Teacher Corps which would serve some schools with large concentrations of the poor. The National Foundation on the Arts and the Humanities Act, also enacted in 1965, initiated Federal support of the humanities and the arts.

*Federal funds for education, training, and related programs by agency.*—Ten Cabinet departments and more than 15 other agencies support or conduct education, training, and related programs as an integral part of their agency's mission. Table G-1 summarizes the funds for each agency.

Of the \$8.4 billion in budget and trust fund expenditures estimated for education, training, and related programs in 1967, \$3.8 billion or 45% will be made by the Department of Health, Education, and Welfare. Within this Department, in turn, the Office of Education will spend 72% of the funds; the Public Health Service, including the National Institutes of Health, about 23%. Expenditures for HEW programs, especially in the Office of Education, are increasing sharply, 2½-fold from 1965 to 1967. Most of the HEW expenditures take the form of grants-in-aid or loans.

The Department of Defense ranks as the next largest agency, responsible for \$2.1 billion or 25% of all the expenditures in 1967, even though specialized military training such as recruit and pilot training have been excluded from this analysis. More than \$1.5 billion of the Defense expenditures are for training for skills and occupations which have value in civilian life. In addition, the Service Academies, which account for expenditures of \$134 million in 1967, have been included as higher education.

All of the remaining agencies of the Federal Government will account for net expenditures of about \$2.5 billion for education, train-

ing, and related programs in 1967, or 30% of the total, and a decline of \$152 million from 1966. Exclusive of the net receipts under proposed legislation mentioned earlier, the expenditures by all agencies other than HEW and Defense will total \$3.2 billion, or about \$600 million more than for 1966.

These other agencies cover a wide range of activities:

- The National Science Foundation's programs have the objective of strengthening basic research and education in the sciences.
- The Department of Labor finances programs for occupational training and manpower research.
- The Veterans Administration supports the education of disabled veterans, or those of recent service, children of disabled or deceased veterans, and training in medicine and dentistry.
- The Department of Agriculture shares with State and local governments the support of the Cooperative Extension Service, the principal public service organization of the land-grant universities.
- The National Aeronautics and Space Administration has grants and contracts with academic institutions for research, assists graduate students in the sciences, and supports the construction of academic science facilities.

Table G-1. FEDERAL FUNDS FOR EDUCATION, TRAINING, AND RELATED ACTIVITIES BY AGENCY (in millions of dollars)

Agency	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET</b>						
Department of Health, Education, and Welfare:						
Office of Education.....	1,508	3,305	3,479	842	1,511	2,718
Public Health Service:						
National Institutes of Health.....	677	748	753	487	626	681
Other Public Health Service.....	186	234	347	71	143	192
Vocational Rehabilitation Administration.....	61	88	113	57	86	111
Welfare Administration.....	33	46	55	30	43	51
Other Health, Education, and Welfare.....	31	32	31	23	32	35
Total, Department of Health, Education, and Welfare.....	2,495	4,452	4,777	1,510	2,441	3,789
Department of Defense:						
Military activities:						
Army.....	459	492	498	443	480	498
Navy.....	692	735	785	684	726	772
Air Force.....	624	654	681	616	648	666
Other.....	123	135	150	120	133	143
Civil activities.....	15	20	23	15	19	27
Total, Department of Defense.....	1,913	2,036	2,136	1,877	2,006	2,106
Office of Economic Opportunity <sup>1</sup> .....	457	835	929	92	637	1,010
National Science Foundation.....	420	480	525	309	365	425
Department of Labor.....	413	410	415	242	291	293
Department of Housing and Urban Development.....	300	300	5	221	240	-531

Table G-1. FEDERAL FUNDS FOR EDUCATION, TRAINING, AND RELATED ACTIVITIES BY AGENCY (in millions of dollars)—Continued

Agency	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET—Con.</b>						
Economic Assistance <sup>1</sup> .....	183	174	248	95	119	160
Department of the Interior.....	206	193	229	176	180	204
Veterans Administration.....	84	82	186	84	82	176
Department of Agriculture.....	168	183	171	164	180	178
National Aeronautics and Space Administration.....	138	134	125	100	144	136
Atomic Energy Commission.....	84	101	102	79	94	103
Department of State.....	56	66	66	57	58	63
Peace Corps <sup>1</sup> .....	45	58	58	41	44	46
Smithsonian Institution.....	37	27	36	28	41	43
District of Columbia.....	19	29	30	11	27	37
Library of Congress.....	24	26	30	24	26	30
Military Assistance <sup>1</sup> .....	36	39	27	36	39	27
General Services Administration.....	4	7	18	4	6	5
Federal Aviation Agency.....	18	19	17	18	19	17
National Foundation on the Arts and the Humanities <sup>2</sup> .....	*	7	16	*	2	8
Department of Commerce.....	8	9	12	7	9	11
Treasury Department.....	10	10	11	8	11	11
United States Information Agency.....	8	9	10	8	9	10
Department of Justice.....	6	7	10	4	6	9
Tennessee Valley Authority.....	2	2	2	2	2	2
U.S. Government Printing Office.....	1	1	2	1	1	2
U.S. Arms Control and Disarmament Agency.....	1	1	1	*	1	1
National Capital Planning Commission.....	2			2	*	
Transitional grants to Alaska <sup>1</sup> .....	1	*	0	1	*	0
Total net budget funds for education, training, and related activities.....	7,141	9,697	10,192	5,202	7,077	8,371
<b>TRUST FUNDS</b>						
Department of Labor.....	9	10	11	9	10	11
General Services Administration.....	2	*	*	*	*	*
Library of Congress.....	2	2	2	2	2	2
National Foundation on the Arts and the Humanities.....		1	2		1	2
Smithsonian Institution.....	*	*	*	*	*	*
Total, trust funds, for education, training and related activities.....	13	13	15	12	13	15
Total budget and trust funds for education, training, and related programs.....	7,154	9,710	10,207	5,214	7,090	8,386

\*Less than \$500 thousand.

<sup>1</sup> Funds appropriated to the President.<sup>2</sup> Combined with National Council on the Arts.

- The Department of the Interior provides elementary, secondary, and college level education for Indians.
- The Agency for International Development finances both formal and informal education and training of individuals in the developing countries.

The forward thrust of Federal education, training, and related programs is indicated by the 43% increase of new obligational authority from 1965 to 1967. Of the \$10.2 billion total for 1967, nearly \$4.8 billion is for the Department of Health, Education, and Welfare—a growth of over 90% in 2 years. The Department of Defense's share in the new obligational authority for 1967 is \$2.1 billion, or 21%. All other agencies will receive \$3.3 billion, or 32%, of total new obligational authority for 1967.

*Federal funds for education, training, and related programs by category or type of aid.*—Table G-2 shows the distribution of total new obligational authority and expenditures for the programs in this special analysis for the 3 fiscal years 1965-67, showing the level of education aided or the type of assistance provided.

The promotion of higher education will amount to \$3.8 billion in 1967, 37% of total new obligational authority requested for 1967. In this total, support of facilities, equipment, and institutional development, largely by the Office of Education and the National Science Foundation, comprise over \$1 billion. Support of undergraduate, graduate, and professional training, in which many agencies participate, will account for nearly \$1.3 billion. University-based research, exclusive of educational research, which is financed largely by agencies such as the National Institutes of Health, the National Science Foundation, and the Department of Defense totals \$1.3 billion. Because substantial receipts under proposed legislation from sales of loan participations and because direct student loans will be replaced by subsidized non-Federal loans, net expenditures in the higher education category will total \$2.4 billion, 28% of total expenditures.

The second largest category, \$2.6 billion of new obligational authority, or 25%, will be for aid to preschool, elementary, and secondary education. In this category, more than \$1.3 billion will be for programs authorized by the Elementary and Secondary Education Act of 1965, mostly for educationally deprived children from low-income families. On an expenditure basis this category comprises \$2.4 billion, 29% of total estimated outlays.

The third largest category, \$1.6 billion in new obligational authority, is for training of Federal governmental personnel. More than 90% of these funds are for technical and professional training of military personnel in skills which are usable in civilian occupations. The amounts for the Service Academies and off-duty training are included as higher education.

The fourth largest category, \$1.4 billion of new obligational authority in 1967, is for vocational education, work training, and other adult or continuing education programs. It encompasses the vocational education programs of the Office of Education, the Manpower Development and Training program of the Department

Table G-2. FEDERAL FUNDS FOR EDUCATION, TRAINING, AND RELATED PROGRAMS BY CATEGORY (in millions of dollars)

Category or type of aid	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
1. Preschool, elementary, and secondary:						
(a) General support:						
(1) Operations.....	522	752	685	497	549	643
(2) Facilities.....	206	194	160	127	158	169
(b) Education of special groups:						
Existing programs.....	197	1,318	1,539	94	540	1,446
Proposed legislation.....			6			6
(c) Teacher training.....	111	106	210	75	110	172
Subtotal, preschool, elementary, and secondary.....	1,036	2,370	2,600	793	1,357	2,436
2. Higher education:						
(a) Facilities, equipment, and institutional development of physical facilities:						
Existing programs.....	1,041	1,245	1,344	331	557	899
Proposed legislation.....			-300			-908
(b) Support of undergraduate students:						
(1) Support of individuals:						
Existing programs.....	337	555	551	315	405	446
Proposed legislation.....			18			13
(2) Institutional support.....	21	25	28	14	19	25
(c) Support of graduate and professional training:						
(1) Support of individuals:						
Existing programs.....	252	315	370	177	255	310
Proposed legislation.....			-13			-14
(2) Institutional support.....	197	260	314	117	185	248
(d) Research, except educational research.....	1,100	1,241	1,311	934	1,117	1,205
(e) Other.....	106	142	190	105	124	158
Subtotal, higher education.....	3,054	3,783	3,813	1,993	2,662	2,382
3. Vocational education, work-training and other adult or continuing education:						
Existing programs.....	1,123	1,382	1,393	635	1,055	1,303
Proposed legislation.....			34			30
4. Educational research, curriculum development, etc.....	61	134	155	39	74	125
5. Training of Federal governmental personnel:						
(a) Military personnel.....	1,366	1,451	1,511	1,358	1,434	1,496
(b) Civilian personnel.....	68	87	96	72	82	86
6. International educational activities.....	276	291	346	195	219	255
7. Other.....	173	208	261	133	207	272
Subtotal, existing programs.....	7,154	9,710	10,462	5,214	7,090	9,259
Subtotal, proposed legislation.....			-255			-873
Total, budget and trust funds for education, training, and related programs.....	7,154	9,710	10,207	5,214	7,090	8,386

of Labor, and training components of numerous programs financed by the Office of Economic Opportunity.

*Federal funds for education, training, and related programs by budget functional category.*—Table G-4 lists the major Federal programs covered in this analysis under the functional categories in which they are regularly classified in the Federal budget. In each category the programs are in turn listed by the agencies which administer them.

Programs classified in the "education" function of the budget, comprise only \$2.8 billion—one-third—of the total expenditures for education, training, and related programs from the Federal Government. These are the programs which have as their end purpose the promotion of education. They include all the activities carried on by the Office of Education and by the National Science Foundation, and these two agencies are the largest components. They also include the college housing loan program of the new Department of Housing and Urban Development, and certain other smaller programs, such as education of Indians by the Department of the Interior, activities of the Smithsonian Institution, and the Library of Congress.

Expenditures of \$5.4 billion in 1967 are included for programs which have as their primary purpose objectives other than the promotion of education and training, but which, nevertheless, contribute significantly to advancing the search for knowledge and education broadly defined. They are administered by a wide variety of other agencies and are classified in other functional categories. A review of this second group of programs indicates the extent to which the Federal Government supports mission-related education and training which contributes to the overall development of our human resources. In 1967, such expenditures are estimated as follows:

- \$2.3 billions in "health, labor, and welfare," encompassing the economic opportunity programs of \$1 billion, the health research and training programs of \$900 million, the activities of the Welfare Administration, Vocational Rehabilitation Administration, the manpower development programs, and various other smaller programs.
- \$2.2 billion in "National defense," including \$1.5 billion for training of military and civilian personnel, nearly \$0.3 billion for research support by the Department of Defense, and more than \$0.1 billion by the Atomic Energy Commission, mostly for research.
- \$280 million for the expanded education aid programs in the "international affairs" category, mostly through the Agency for International Development and the Department of State.
- \$176 million in "veterans benefits and services" for vocational rehabilitation of disabled ex-servicemen, educational benefits for children of deceased servicemen, proposed new readjustment benefits, and training of VA medical personnel.
- \$158 million in "agriculture and agricultural resources," primarily for cooperative research and extension services.
- \$136 million for "space research and technology" for both mission related research grants and contracts and graduate education in science and technology through the NASA sustaining university program.

- \$233 million in all other categories of the administrative budget, including "natural resources," "commerce and transportation," and "housing and community development."

*Support of graduate and undergraduate students.*—The Federal Government is playing an increasing role in the support of graduate and professional training (1) directly, through fellowship and traineeship programs included in this analysis, and (2) indirectly, through research contracts and grants which support thousands of research assistants, principally graduate students. Table G-3 presents preliminary estimates of the number of individuals assisted, including rough estimates of the number of assistantships. While the totals include some undergraduates, the great majority of the individuals are engaged in postgraduate training or study.

In addition to support for the individuals reported in table G-3, several programs also finance training for large numbers of teachers through institutes, generally held in the summer. NDEA institutes financed by the Office of Education are estimated to aid 28,000 teachers in 1967, 4,000 more than 1966 and about 7,600 more than 1965. Likewise, the science institutes financed by the National Science Foundation are expected to assist nearly 39,000 high school teachers in 1967, about the same number as in 1966, and 2,700 less than in 1965.

The Higher Education Act of 1965 authorized a major expansion in aid to undergraduate and graduate college students which is also not reflected in table G-3. In 1967 well over 1 million students, mostly undergraduates, will be assisted under this act, more than 3 times as many as in 1965 when 317,000 were aided through NDEA student loans. In 1967, 220,000 students will be awarded scholarships, an increase of 105,000 over 1966; about 210,000 will be helped through work study programs, a 60,000 increase; and 775,000 will receive federally subsidized loans, a 475,000 increase. The NDEA student direct loans, estimated at 400,000 in 1966, are expected to be entirely replaced in 1967 by the new subsidized guaranteed loans.

*Proposed legislation.*—The budget contains several legislative proposals which significantly affect 1967 budget expenditures for education. Proposed legislation to authorize pool participation sales of loans, with authority for supplementary funds necessary to assure payments on certificates where loans have been made at interest rates below current market levels, is estimated to result in net proceeds from sales of \$85 million in the HEW academic facilities program and \$823 million in the college housing program of the Department of Housing and Urban Development. In addition, the legislation would cancel \$300 million of new obligational authority otherwise becoming available in 1967 for college housing loans, since existing funds and expected receipts from participation sales will be sufficient to continue during 1967 the present rate of \$300 million in new loan reservations.

Legislation to shift the National Defense Education Act student loan program to the newly authorized subsidized loan guarantee program under the Higher Education Act, retaining the special assistance to students who subsequently teach, is anticipated to reduce new obligational authority and expenditures, respectively, by \$34 million in 1967. Similar legislation for students in the health professions will reduce new obligational authority and expenditures by \$21 million.

Table G-3. ESTIMATED NUMBERS OF INDIVIDUALS IN GRADUATE AND PROFESSIONAL TRAINING AIDED BY FEDERAL FUNDS (in thousands)

Agency	Fellowships			Research assistantships			Traineeships			Total		
	1965	1966	1967	1965	1966	1967	1965	1966	1967	1965	1966	1967
Department of Defense (Military).....				14.5	14.5	15.1				14.5	14.5	15.1
Department of Health, Education, and Welfare:												
Office of Education.....	7.6	14.8	24.0		1.8	1.5	6.9	8.3	10.8	14.5	24.9	36.3
Public Health Service:												
National Institutes of Health.....	5.0	5.4	5.6	7.0	7.8	8.0	19.2	22.1	22.2	31.2	35.3	35.8
Other PHS.....	.2	.3	.4	.3	.4	.5				.6	.7	.9
Other.....	.1	.3	.9				4.5	5.5	6.9	4.7	5.8	7.7
Atomic Energy Commission.....	.3	.4	.4	3.9	4.0	4.1	.1	.1	.1	4.3	4.4	4.5
National Aeronautics and Space Administration.....	.1	.2	.2	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	1.3	1.3	1.0	1.4	1.5	1.2
National Science Foundation.....	4.8	4.0	3.8	4.0	5.1	6.0	2.8	4.2	5.0	11.5	13.3	14.8
Other.....	*	*	*	.1	*	*	5.4	5.4	5.4	5.5	5.5	5.5
Total.....	18.2	25.5	35.3	29.8	33.6	35.2	40.1	46.9	51.5	88.2	105.9	121.7

\*Less than 50.

<sup>1</sup> Figures not available.

A proposal to expand programs to ease the readjustment of veterans of recent service by providing education and training assistance would require new obligational authority of \$100 million and estimated expenditures of \$90 million in 1967.

Altogether the above legislative proposals would result in a net reduction of \$255 million in new obligational authority for 1967 and a net decrease in expenditures of \$873 million.

The 1967 budget also includes (1) funds for new and expanded programs to be proposed in the field of international education, (2) a proposed reduction in aid for schools in areas affected by Federal activities, and (3) recommendations by the President that the Elementary and Secondary Education Act of 1965 should be extended beyond June 30, 1966, and improved, including an increase in the income criterion for allocating funds for fiscal year 1968 from \$2,000 to \$3,000, repeal of the incentive grant provision for 1967, and changes relating to grants for education of Indian children. The expenditure effects of these latter proposals are not separately identified in the budget.

*Programs not covered by this special analysis.*—Although the scope of this analysis is broad, it does not include a number of activities which are closely allied and which are sometimes included in estimates of expenditures for education. Examples of activities excluded are as follows: Basic recruit training of military personnel and other strictly military training, such as flight training, are excluded because of limited transfer value to the civilian economy. Scientific research conducted outside of academic institutions, or carried on in university-managed research centers under Federal contracts, is also omitted, because the portion of their efforts devoted to training is generally limited. The school lunch and special milk programs are omitted because they are largely of a welfare character and their effect on transmission of knowledge is indirect. University service contracts, for example, for operating mental health centers, are excluded. Technical assistance programs between governments or levels of governments which do not involve educational institutions are not included. Finally, many small inservice training programs for Federal civilian employees are not included because it was not readily feasible to obtain the data.

*Relationship of Federal aid to total national outlays for education.*—The significance of the Federal expenditures for education reported in this analysis may in part be appraised in the context of total national expenditures for education from all sources, public and private. Preliminary estimates consistent with those published by the Department of Health, Education, and Welfare in *Health, Education, and Welfare Trends* indicate that the total national expenditures for education covering current expenditures, capital outlay, and interest, but not debt retirement, for both public and nonpublic schools and colleges reached \$39 billion during the school year ending 1965, approximately 6% of the gross national product. Nearly \$27 billion was spent for elementary and secondary education and slightly more than \$12 billion for higher education.

The HEW series, however, includes only funds obligated by educational institutions. It thus omits major federally operated programs

such as training of military personnel, the great bulk of on-the-job and similar training activities outside regular schools, as well as the student assistance which is paid to individuals rather than to the colleges. On the other hand, the HEW series includes several major programs which are omitted from the present special analysis, including the school lunch program and about \$560 million in funds for research and development in university-managed off-campus research centers for 1965.

If the figures for the expenditures in this special analysis for fiscal year 1965 are adjusted to correspond with those in the series prepared by HEW, the Federal funds for elementary and secondary education total approximately \$1.3 billion, or about 5% of all public and private outlays in the corresponding category; and funds for higher education would total about \$3 billion or about 25% of the national outlay in this category reported by HEW. Overall the Federal contribution to the direct financing of the Nation's educational institutions would be about 11%.

Table G-4. FEDERAL FUNDS FOR EDUCATION, TRAINING, AND RELATED PROGRAMS BY BUDGET FUNCTION  
(in millions of dollars)

Functional category, agency, and program	Functional code	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
		1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS</b>							
<b>National Defense:</b>							
Department of Defense:							
Support of oversea schools for dependents.....	051	74	79	90	73	78	87
Service academies, construction, equipment, and operation.....	051	133	138	128	117	138	134
Research grants and contracts with educational institutions.....	051	264	277	305	255	270	285
Professional, technical, and related training:							
Military personnel.....	051	1,362	1,447	1,507	1,354	1,431	1,492
Civilian personnel.....	051	10	14	16	10	13	16
Civil defense research and training.....	051	13	14	16	11	13	16
Other, mostly support for undergraduate students.....	051	42	46	50	42	45	50
Military assistance: Training of military and civilian personnel administered by Department of Defense from funds appropriated to the President.....							
	057	36	39	27	36	39	27
Atomic Energy Commission:							
Research, including conduct and facilities.....	058	72	88	87	67	80	88
Graduate and professional training and related support for higher education.....	058	7	8	8	7	8	8
Other.....	058	5	6	6	5	6	6
Total, national defense.....		2,018	2,155	2,242	1,977	2,120	2,209
<b>International affairs and finance:</b>							
Peace Corps: Training activities.....	152	45	58	58	41	44	46
United States Information Agency:							
Information center and library activities, Foreign Service Institute, etc.....	153	8	9	10	8	9	10
Department of State:							
Salaries and expenses: Foreign Service Institute, etc.....	151	6	7	10	6	7	9
Mutual educational and cultural activities: Largely American and foreign student, teacher, professor, specialist, and leader exchange programs.....	153	45	53	50	47	46	49
Educational and cultural affairs: Center for Cultural and Technical Interchange Between East and West.....	153	5	6	6	4	5	5

Table G-4. FEDERAL FUNDS FOR EDUCATION, TRAINING, AND RELATED PROGRAMS BY BUDGET FUNCTION  
(in millions of dollars)—Continued

Functional category, agency, and program	Functional code	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
		1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS—Continued</b>							
<b>International affairs and finance—Continued</b>							
Agency for International Development (funds appropriated to the President for economic assistance): Educational and training phases of technical cooperation, aid to educational institutions, and training of foreign nationals.....	152	183	174	248	95	119	160
U.S. Arms Control and Disarmament Agency: Research.....	151	1	1	1	*	1	1
Total, international affairs and finance.....		294	307	382	202	231	280
<b>Space research and technology:</b>							
National Aeronautics and Space Administration: Research and training.....	251	138	134	125	100	144	136
<b>Agriculture and agricultural resources:</b>							
Department of Agriculture:							
Agricultural research service: Training and research.....	355	13	11	9	11	12	13
Cooperative State research service: Payments to State agriculture experiment stations for research.....	355	49	53	46	49	53	46
Federal extension service for cooperative extension work.....	355	86	90	93	85	91	93
Other, including National Agricultural Library.....	355	2	9	3	2	4	6
Total, agriculture and agricultural resources.....		149	163	151	146	160	158
<b>Natural resources:</b>							
Department of Agriculture: Forest Service: Largely payments of shared revenues to States and counties for schools.....	402	18	20	20	18	20	20
Department of Defense—Civil: Corps of Engineers: Research and training.....	401	*	1	1	*	1	1
Department of the Interior:							
Shared revenue payments to States and counties under miscellaneous permanent appropriations, largely mineral leasing and grant lands (estimated portion for school support).....	400	28	30	31	28	29	31

Bureau of Indian Affairs: School construction, alteration, repair, and maintenance.....	401	54	36	61	35	21	35
Water and saline water research.....	401	6	9	9	4	8	8
Fisheries and wildlife research and shared revenue payments to States.....	404	1	2	2	1	2	2
Tennessee Valley Authority: Mainly in-lieu-of-tax payments and cooperative research.....	401	2	2	2	2	2	2
<b>Total, natural resources.....</b>		<b>109</b>	<b>98</b>	<b>127</b>	<b>88</b>	<b>81</b>	<b>100</b>
<b>Commerce and transportation:</b>							
Department of Commerce:							
Maritime Administration: State schools and other maritime training.....	502	6	6	6	5	6	6
Research and technical services.....	506	2	3	6	2	3	5
Treasury Department: U.S. Coast Guard, principally Coast Guard Academy, education of uniformed personnel and oversea dependents.....							
	502	10	10	11	8	11	11
Federal Aviation Agency: Principally training of civilian Federal personnel.....	501	18	19	17	18	19	17
<b>Total, commerce and transportation.....</b>		<b>36</b>	<b>38</b>	<b>40</b>	<b>34</b>	<b>38</b>	<b>39</b>
<b>Housing and community development:</b>							
Department of Housing and Urban Development: Grants for training in community development skills.....							
	553			5			2
District of Columbia: Prorated school portion of general Federal contribution.....	555	19	29	30	11	27	37
<b>Total, housing and community development.....</b>		<b>19</b>	<b>29</b>	<b>35</b>	<b>11</b>	<b>27</b>	<b>39</b>
<b>Health, labor, and welfare:</b>							
Office of Economic Opportunity (funds appropriated to the President):							
Community Action program:							
Head Start.....	655	97	180	270	5	147	255
Adult training, remedial education, research, etc.....	655	44	180	255	10	112	225
Jobs Corps—Urban and rural centers.....	655	154	262	172	34	186	293
Neighborhood Youth Corps:							
In-school and summer.....	655	104	140	145	30	120	160
Out-of-school.....	655	2	6	6	1	4	6
Work Experience—Adult training, including remedial education.....	655	36	48	47	7	44	45
Adult basic education.....	655	18	16	30	3	20	21
VISTA—Training of volunteers.....	655	1	4	5	1	4	5

See footnotes at end of table.

Table G-4. FEDERAL FUNDS FOR EDUCATION, TRAINING, AND RELATED PROGRAMS BY BUDGET FUNCTION  
(in millions of dollars)—Continued

Functional category agency, and program	Functional code	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
		1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS—Continued</b>							
<b>Health, labor, and welfare—Continued</b>							
Department of Health, Education, and Welfare:							
Public Health Service:							
Community Health:							
Construction of medical schools and other health education facilities.....	651	100	90	160	25	45	
Construction of mental health facilities.....	651	8	10	10	2	2	
Health professions training.....	651	34	65	117	33	54	
Proposed legislation to convert loans to medical students to private subsidized guaranteed loans.....	651			-21		-21	
Research grants.....	651	16	31	25	14	22	
Other.....	651	3	3	3	3	3	
Environmental health:							
Research grants.....	651	16	21	25	13	19	
Other.....	651	6	9	13	4	8	
National Institutes of Health:							
National Institute of General Medical Sciences:							
Training.....	651	52	60	62	37	43	
Research.....	651	29	31	34	22	24	
National Institute of Mental Health:							
Training.....	651	81	94	99	54	64	
Research.....	651	47	51	51	38	46	
Other National Institutes of Health:							
Training.....	651	127	146	155	80	118	
Research grants.....	651	295	321	335	229	301	
Research facilities.....	651	46	45	17	27	31	
Other Public Health Service.....	651	3	4	16	3	4	
Welfare Administration:							
Maternal and child welfare grants.....	651	15	23	29	13	21	
Public assistance grants to States and assistance to refugees.....	653	15	21	24	15	20	
Juvenile delinquency and youth offenses research and other activities.....	659	2	2	3	2	3	

Vocational Rehabilitation Administration: Research and training.....	659	61	88	113	57	86	111
Other health, education, and welfare:							
Water Pollution Control Administration: Fellowships and training grants.....	651	3	3	4	2	3	3
Freedmen's Hospital and St. Elizabeths: Medical training and other.....	651	1	2	2	1	2	2
Department of the Interior: Bureau of Mines: Health and safety training.....	652	1	2	2	1	1	1
Department of Labor:							
Manpower Development and Training Act: Institutional and on-the-job training.....	652	397	400	400	230	279	282
Apprenticeship, area redevelopment, and research activities.....	652	16	11	15	12	12	11
Total, health, labor, and welfare.....		1,831	2,368	2,619	983	1,831	2,344
<b>Education:</b>							
Legislative branch: Library of Congress.....	704	24	26	30	24	26	30
Department of Health, Education, and Welfare:							
Office of Education:							
Elementary and Secondary Education Act of 1965:							
Education of the disadvantaged (grants to school districts with families under \$2,000).....	701		959	1,070		230	970
Supplementary centers, schoolbooks, and strengthening State educational agencies.....	701		192	272		65	230
Aid to federally impacted school districts:							
Operation.....	701	332	347	183	311	307	222
Construction.....	701	58	50	23	38	47	45
National Defense Education Act activities for elementary and secondary education: Primarily school equipment, guidance, testing.....	701	97	113	88	68	81	79
Aid for undergraduate and graduate college students:							
Scholarships.....	702		60	122			60
Work-study.....	702		99	134		64	101
National Defense Education Act loans.....	702	147	182	34	131	179	64
Proposed legislation to convert NDEA loans to subsidized loan guarantees.....	702			-34			-34
Other, including loan guarantee program.....	702	43	77	141	27	40	89
Higher education academic facilities:							
Grants for college, junior college, and graduate facilities.....	702	294	523	523	2	87	261
Loans.....	702	169	110	200	2	60	135
Proposed legislation for pool participation sales of loan obligations.....	702						-85
Other aids to higher education institutions, including aid to developing colleges.....	702	28	62	104	30	41	83
Expansion and improvement of vocational education.....	704	162	243	240	132	173	205
Grants for public libraries.....	704	55	55	58	26	35	51

Table G-4. FEDERAL FUNDS FOR EDUCATION, TRAINING, AND RELATED PROGRAMS BY BUDGET FUNCTION  
(in millions of dollars)—Continued

Functional category, agency, and program	Functional code	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
		1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS—Continued</b>							
<b>Education—Continued</b>							
Department of Health, Education, and Welfare—Continued							
Office of Education—Continued							
Teacher training:							
Institutes.....	704	30	35	40	19	10	33
Fellowships.....	704		20	43			20
National Teacher Corps.....	704		13	31		1	27
Educational research and development:							
National Defense Education Act.....	704	4	5	6	3	4	5
Cooperative research.....	704	16	70	80	13	21	58
Other.....	704	14	25	25	1	20	24
Other aids to education, including salaries and expenses of Office of Education.....	704	58	65	96	38	45	76
Special institutions and miscellaneous including American Printing House for the Blind, Gallaudet College, Howard University, and educational TV.....	704	28	27	24	20	28	30
Department of Housing and Urban Development:							
Collegé housing loans.....	702	300	300	300	221	240	289
Proposed legislation for pool participation sales of loan obligations.....	702			-300			-823
Department of the Interior: Bureau of Indian Affairs: Indian education.....	704	98	107	115	99	106	113
National Capital Planning Commission.....	704	2			2	*	
National Council on the Arts and National Foundation on the Arts and the Humanities.....	704	*	7	16	*	2	8
National Science Foundation:							
Basic research and specialized research facilities.....	703	211	246	279	156	184	221
Grants for institutional science programs.....	703	61	80	85	32	41	60
Science education.....	703	122	126	133	101	115	118
Other science activities.....	703	26	28	28	20	25	26
Smithsonian Institution.....	704	37	27	36	28	41	43
Total, education.....		2,417	4,278	4,225	1,544	2,318	2,834
<b>Veterans benefits and services:</b>							
Veterans Administration:							
Compensation and pensions: Subsistence allowances for veterans in vocational rehabilitation.....	800	9	11	16	9	11	16

Readjustment benefits: Principally aid under War Orphans' Educational Assistance Act and vocational rehabilitation for disabled veterans.....	803	43	37	36	43	37	36
Proposed legislation: Readjustment benefits for veterans of recent service.....	803			100			90
Training of medical personnel engaged in VA medical activities.....	801-805	32	34	34	32	34	34
<b>Total, veterans benefits and services.....</b>		<b>84</b>	<b>82</b>	<b>186</b>	<b>84</b>	<b>82</b>	<b>176</b>
<b>General government:</b>							
Legislative branch: Government Printing Office: Distribution to depository libraries and library activities.....	901-910	1	1	2	1	1	2
Department of Defense—Civil:							
Canal Zone Government, contribution to schools.....	910	11	16	12	12	14	17
Ryukyu Islands administration, schools.....	910	3	5	9	3	4	9
Department of the Interior: Administration of territories, including Trust Territory of the Pacific, prorated portion for schools.....	910	18	9	9	8	14	13
Department of Justice: Vocational training in Federal prison industries and grants for training in law enforcement.....	908	6	7	10	4	6	9
General Services Administration: National Archives services, Presidential library activities, and national historical publications grants.....	905	4	7	18	4	6	5
Transitional grants to Alaska (funds appropriated to the President).....	910	1	*	0	1	*	0
<b>Total, general government.....</b>		<b>45</b>	<b>45</b>	<b>59</b>	<b>33</b>	<b>46</b>	<b>55</b>
<b>Total net administrative budget funds for education, training, and related activities.....</b>		<b>7,141</b>	<b>9,697</b>	<b>10,192</b>	<b>5,202</b>	<b>7,077</b>	<b>8,371</b>
<b>TRUST FUNDS</b>							
<b>Health, Education, and Welfare:</b>							
Department of Labor: Grants to States for school counseling and testing by employment service.....	652	9	10	11	9	10	11
<b>Education:</b>							
Legislative branch: Library of Congress, gift and trust fund income accounts.....	704	2	2	2	2	2	2
National Foundation on the Arts and Humanities, fund for private contributions.....	704		1	2		1	2
<b>General government:</b>							
General Services Administration: National Archives gift fund.....	905	2	*	*	*	*	*
<b>Total, trust funds.....</b>		<b>13</b>	<b>13</b>	<b>15</b>	<b>12</b>	<b>13</b>	<b>15</b>
<b>Total, budget and trust funds for education, training, and related programs.....</b>		<b>7,154</b>	<b>9,710</b>	<b>10,207</b>	<b>5,214</b>	<b>7,090</b>	<b>8,386</b>

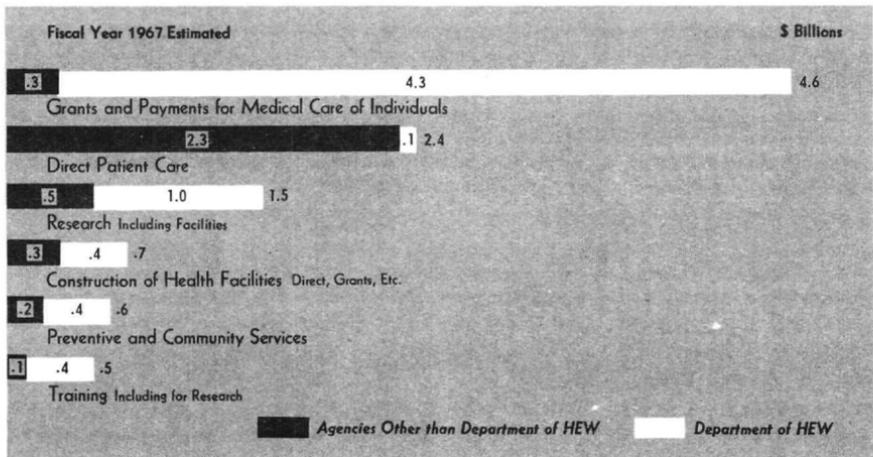
\*Less than \$500 thousand.

## SPECIAL ANALYSIS H

### FEDERAL HEALTH PROGRAMS

This analysis provides a comprehensive summary of expenditures for all the medical and health-related activities of the Federal Government. It includes those activities classified in the "health" function as well as health programs included in other groupings. Government cash payments to the public in this broad category will rise to an estimated total of \$10.3 billion in 1967. This total is derived from \$7.8 billion expenditures from administrative budget accounts and \$3.3 billion from trust funds, less interfund transfers of \$0.8 billion. This spending will finance a wide variety of activities—hospital care and medical treatment in Federal and non-Federal facilities, construction of health facilities, health research and training, and a multitude of preventive and community health and health-related programs in Federal, State, and local governmental institutions and by private hospitals, research organizations, and individual practitioners. The expenditures from administrative budget funds continue to be the largest segment of health spending and they will account for 7% of total administrative budget spending. However, the program for hospital insurance and supplementary medical benefits for the aged under the social security system will be financed through trust funds which will account for 29% of health expenditures in 1967.

#### Federal Expenditures, *Medical and Health-Related Activities by Category*



*Recent trends in Federal health-related expenditures.*—Health programs are among the oldest activities of the Federal Government, some of them predating the Constitution. The earliest were for medical care of soldiers, merchant seamen, and veterans. Around the beginning of the present century, the Federal efforts in health research and consumer protection, such as those under the Pure Food and Drug Act, made their appearance. Following World War II, the directly operated patient care programs of the Defense Department and Veterans Administration overshadowed the other segments of Federal health expenditure. Since that time, while expenditures for these programs increased moderately, the role of the Federal Government shifted rapidly to one of large-scale grant support for health infrastructure—at first hospital and other facility construction, medical research, and State and local community services for specific disease categories or health problems, and, subsequently, health manpower, especially physicians, dentists, and nurses, and, provision of a full range of facilities and services for comprehensive care to individuals or for specific problems such as water pollution. Today, with hospital and supplementary health insurance for the aged through the social security system and medical assistance payments for aged and other needy through welfare grants, the Government role has moved toward assuring to all citizens the availability and accessibility of high quality medical care, regardless of income.

Although this special analysis has not existed long enough to provide a long-term series of data, comparable information is available for fiscal 1958. The figures provide some perspective on the sharp change taking place. In 1958, obligations for health activities totaled \$3 billion, of which \$1.9 billion were by the Defense Department and Veterans Administration, largely for patient care in Federal facilities. By 1967, total expenditures will have grown to \$10.3 billion, and \$3.3 billion of this spending will be for the new program of care of aged patients who, traditionally, have not been Federal beneficiaries. Thus, these expenditures for the social insurance medical programs will exceed in 1967 the total Federal spending for health in 1958.

Another important change from the situation in 1958, reflecting the changing content of the Federal Government's health role, is the relative portion of the Federal health budget which is managed by the Department of Health, Education, and Welfare. In 1958, the programs of Health, Education, and Welfare accounted for \$0.8 billion of the \$3 billion Federal total. In 1966, the Department of Health, Education, and Welfare is expected to spend \$3 billion, 48% of the total of \$6.3 billion. Almost all of that spending is from administrative budget funds. In 1967, with the addition of the trust fund programs, HEW's total is expected to rise to \$6.6 billion (adjusted for interfund transfers), 64% of the total.

*Distribution of Federal health programs by agency.*—Eight Cabinet departments and more than a dozen other agencies conduct or support health programs. In addition, every agency finances health programs for Federal employees. Many of the health activities of these agencies are not classified in the "health, labor, and welfare" function, but are carried on as part of programs for other purposes and are classified in the functional categories according to the basic purpose served, such

as "national defense," "veterans benefits and services," etc. However, because these activities contribute to advancing the Nation's health, they are included in this analysis. Thus, while the regular functional classification shows expenditures of \$3.6 billion in 1967 for "health services and research"—all by the Department of Health, Education, and Welfare—the amounts included in this analysis are almost three times as large and cover many agencies. Table H-1 shows the expenditures for each agency.

As has been noted, 64% of all Federal budget and trust fund spending for health in 1967 will be by the Department of Health, Education, and Welfare. Spending by the Department of Defense is increasing by \$223 million, due to the military situation in Vietnam and resultant increase in personnel strength of the armed services, and will account for 14% of the total. The Veterans Administration is estimated to account for another 14%. The bulk of the health expenditures by the Department of Defense and the Veterans Administration are for the provision of direct care and treatment, most of which is provided in their own hospitals and clinics. These two agencies also have sizable expenditures for health facilities, for training, and for support of health research.

The Department of Health, Education, and Welfare, on the other hand, spends only a comparatively small portion of its health funds to provide direct medical care in Federal facilities, principally for merchant seamen and Indians in Public Health Service hospitals. About half of the Department's expenditures, or \$3.3 billion, will be from trust funds and will reflect the first substantial impact of the newly enacted program for health and medical care for older persons. The largest proportion of the Department's health care outlays from administrative budget funds continue to be for medical research and training and for grants to States and localities to cover medical expenses of public assistance recipients and assistance for medical care of the aged. The Department also spends substantial amounts through the Public Health Service for grants for construction of health facilities, for support of local and State community health, and for environmental health activities.

The remaining \$870 million of the estimated expenditures in 1967 will be made by more than 20 other departments and agencies. Among these, the largest single amount is for the Department of Agriculture for research and for meat and poultry inspection. Significant expenditures are also made by the Agency for International Development and the Department of State which support health activities in other countries, the Atomic Energy Commission with its substantial biomedical research activities in the radiological field, the National Aeronautics and Space Administration with research activities in space medicine, and the National Science Foundation which underwrites basic research in biosciences. The newly organized Department of Housing and Urban Development makes advances and loans for water and sewer facilities, for neighborhood health centers, and other health facilities. The newly enacted programs supporting health facilities and the 1965 expansion of water and sewer facilities programs account for the more than threefold increase in the Department's expenditures from 1966 to 1967.

*Distribution of Federal health expenditures by category and by beneficiary group.*—Table H-2 shows the distribution of the total Federal medical and health-related expenditures for the 3 fiscal years, 1965-67, by six categories. The preceding chart on estimated expenditures for 1967 depicts the distribution of the outlays in each category between the Department of Health, Education, and Welfare and all other agencies.

Of the total expenditures of \$10.3 billion in 1967 for medical and health-related purposes, \$7 billion, or about 68%, will be for provision of health care either directly in Federal facilities or financed by Federal grants or payments for services by non-Federal facilities. This is an increase of \$4.1 billion from 1965, \$3.4 billion of which is the change from 1966 to 1967, mostly because of the trust-funded programs of medical care for older people. These social security medical programs are causing a reversal in the previously established ranking of the two largest categories. Whereas direct patient care was the largest category of expenditure through 1966, the onset of large expenditures for the new programs for the aged make the nondirect care category the largest in 1967.

The direct care expenditures amount to \$2.4 billion, or 23%, of total expenditures. Most of this service is provided in hospitals of the Department of Defense, Veterans Administration, and the Department of Health, Education, and Welfare, which, in all, contain almost 10% of all hospital beds in the United States.

Table H-3 shows the number of hospitals, hospital beds, and the average daily number of patients during 1965-67. The number of individual patients during any year is, of course, many times the daily census because hospital stays average from 7 to 75 days for most agencies. In addition to this large number of inpatients, several million individuals each year receive outpatient care or treatment in the Federal facilities. The 1966 and 1967 increases shown in the data for the Department of Defense reflect increased military operations in Vietnam and supporting activities.

Over one-sixth of the population in the United States is potentially eligible for direct hospital care or medical treatment in Federal facilities. Approximately 22 million living war veterans, including some 2 million with service-connected disabilities, comprise the largest single group of eligibles, although for ailments not related to military service hospital care is provided only to the extent that the veteran certifies that he is unable to pay for his care in private facilities. Active duty and retired uniformed service personnel numbering 3.2 million and their 5.6 million dependents are also covered. Approximately 2.5 million Federal employees are entitled to treatment for in-line-of-duty disabilities, although such injuries are comparatively infrequent. Other eligible groups include 380,000 American Indians and natives of Alaska, 118,000 American seamen, 21,500 inmates of Federal prisons, and civilians in the Panama Canal Zone, narcotics addicts, and patients with leprosy.

The second category of expenditures, which will become the largest in 1967 and reach \$4.6 billion, or almost 45% of the total, is for grants and payments for hospital and health care in non-Federal facilities. Hospital insurance and supplementary medical benefits for the aged through social security accounts for 72% and grants by the Department of Health, Education, and Welfare for medical care

through public assistance continue to rise. During 1967, an estimated 19 million persons will be eligible although about 4.4 million are expected to receive benefits from the hospital insurance program and about 4.1 million from medical insurance. Medical cost for about 860,000 aged will be met through the spatial Federal-State program of medical assistance for the aged.

Under arrangements managed by the Civil Service Commission, health benefits are provided to over 2 million Federal civilian employees (90% of those eligible), and to 4.7 million of their dependents under the Federal Employees' Health Benefits Act. A similar program provides benefits for 227,000 retired Federal employees and their dependents. These payments are made from trust revolving funds into which are deposited both agency and employee contributions. Since the health benefits funds are revolving funds, with receipts offsetting expenditures, only the net effect of these transactions in the trust funds is included in the expenditures for this category. The Government's contributions, amounting to \$165 million in 1965, \$169 million in 1966, and \$174 million in 1967, are included in the administrative budget figures and are mostly classified in this category. Also included in this category are payments for care of Federal beneficiaries, principally by the Veterans Administration and the Department of Defense in those cases where Federal facilities are not available.

Of general benefit to the entire Nation are the infrastructure activities of the Federal Government such as health research, training, and health construction assistance, and the preventive and community services, all of which are discussed separately in following paragraphs. Expenditures for these activities will total \$3.3 billion in 1967, an increase of \$1.1 billion from 1965. These categories account for almost 21% of the increase over 1965 in total health outlays. The amount of increases over 1965 is greatest for health research and facilities (\$408 million), but the other categories will have higher rates of increase: Training (72%), preventive and community service activities (52%), and construction of health facilities (49%). Much of the increase in these programs reflects legislation enacted by the 88th and 89th Congresses for assistance to schools and to students in medicine, dentistry, and other health professions, for programs to combat mental retardation and promote mental health, for regional medical programs to combat heart disease, cancer, and stroke, and for increased Federal efforts for pollution control. Other expanding areas include activities relating to pesticides, community health, and foods and drugs.

About 73% of the \$1.4 billion in Federal expenditures for health-related research and research facilities are by the Department of Health, Education, and Welfare, particularly the National Institutes of Health, which alone account for \$815 million. The Department of Defense, the Atomic Energy Commission, the National Science Foundation, and the National Aeronautics and Space Administration also make sizable outlays for health research.

Training, including training for research, accounts for \$546 million in 1967 expenditures. Again, the Public Health Service, and especially the National Institutes of Health, is the major source, although the Department of Defense also spends significant amounts.

Of the \$635 million for preventive and community health services, \$247 million will be spent by the Public Health Service, the Food and

Drug Administration, and the Children's Bureau, all agencies of the Department of Health, Education, and Welfare. The Federal Government's programs of assistance to underdeveloped countries are also responsible for about \$100 million of the outlays and the Department of Agriculture programs account for most of the remainder.

The Hill-Burton hospital construction program accounts for \$233 million out of \$672 million to be spent in 1967 for construction of facilities other than for research. The Veterans Administration's expenditures of \$68 million represent the seventh year of that agency's 15-year hospital replacement and modernization program. The Department of Defense will also spend \$115 million for construction.

*Proposed legislation.*—Legislation to fill significant gaps in Federal health programs has been proposed by the President. The 1967 budget includes net new obligational authority of \$94 million and net expenditures of \$26 million for the following items: (1) \$23 million in estimated expenditures for a new Federal-State partnership in health service programs, systems-oriented studies of the organization and delivery of medical care services, planning for accelerated modernization of obsolete hospital and health care facilities, training of medical technologists and allied health professionals, and the improvement of Federal health organization and career development; (2) \$24 million for the control of environmental pollution through the demonstration of water pollution control in selected river basins, increased research and development and increased training in pollution sciences, and improved water pollution enforcement authority; and (3) estimated savings of \$21 million in expenditures from the conversion of existing direct Federal loans to medical and nursing students to a system of loan guarantees with interest subsidy.

Table H-1. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS BY AGENCY (in millions of dollars)

Agency	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET</b>			
Department of Health, Education, and Welfare:			
Public Health Service:			
National Institutes of Health.....	779.8	1,000.0	1,150.0
Other.....	603.7	737.1	880.0
Water Pollution Control Administration.....	100.9	121.0	181.5
Welfare Administration.....	628.3	920.8	929.2
Social Security Administration.....		37.0	844.0
Other.....	97.4	128.9	168.9
Total, Department of Health, Education, and Welfare.....	2,210.1	2,944.8	4,153.6
Veterans Administration.....	1,265.7	1,343.0	1,386.5
Department of Defense:			
Army.....	463.3	563.7	748.7
Navy.....	200.6	255.1	287.0
Air Force.....	400.7	414.3	420.2
Other.....	1.7	2.1	2.5
Total, Department of Defense.....	1,066.3	1,235.2	1,458.4

Table H-1. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS BY AGENCY (in millions of dollars)—Continued

Agency	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET -Continued</b>			
Agency for International Development.....	50.6	60.0	92.0
Atomic Energy Commission.....	90.1	95.4	102.6
Department of Agriculture.....	114.2	122.5	128.2
National Aeronautics and Space Administration.....	50.6	79.1	75.6
Department of Housing and Urban Development.....	39.8	27.2	87.1
National Science Foundation.....	25.9	35.1	35.9
Civil Service Commission.....	27.0	29.2	31.7
Office of Economic Opportunity.....	5.6	39.0	74.9
Department of State.....	19.5	21.9	23.8
Department of Labor.....	17.8	17.8	20.3
Department of Justice.....	7.8	7.7	8.0
Peace Corps.....	5.9	7.2	7.5
Panama Canal.....	7.3	7.8	7.8
Small Business Administration.....	8.3	8.5	10.3
Department of the Interior.....	4.4	4.9	4.9
General Services Administration.....	1.9	0.7	-----
United States Information Agency.....	0.4	0.4	0.4
Federal Aviation Agency.....	1.7	1.7	1.7
Military Assistance Program.....	15.0	15.0	20.0
Transitional grants to Alaska.....	0.9	0.3	-----
Contributions by Federal agencies to Federal employees' health benefits funds not included above.....	126.7	127.6	129.1
Total net budget expenditures for health.....	5,163.5	6,232.0	7,860.3
Interfund transactions.....	-----	-37.0	-844.0
<b>TRUST FUNDS</b>			
Department of Health, Education, and Welfare: Social Security Administration.....	-----	105.0	3,305.0
Civil Service Commission, net.....	-10.0	8.6	-7.9
United States Soldiers' Home.....	6.9	7.4	8.5
Railroad Retirement Board.....	-----	0.4	0.3
Total trust fund expenditures for health.....	-3.2	121.4	3,305.9
Total budget and trust fund expenditures for health.....	5,160.3	6,316.4	10,322.2

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

Category	1965 actual	1966 estimate	1967 estimate
Hospital and medical care in Federal facilities.....	2,022.0	2,209.9	2,397.9
Federal grants and payments for hospital and health care in non- Federal facilities.....	913.8	1,374.9	4,623.1
Medical research, total.....	1,040.1	1,320.6	1,448.3
(a) Conduct of research.....	(965.5)	(1,214.2)	(1,235.1)
(b) Research facilities.....	(74.6)	(106.4)	(123.2)
Training, including training for research.....	316.9	448.9	546.1
Prevention and community services.....	417.6	493.7	634.5
Construction of hospitals and health facilities.....	449.9	468.4	672.3
Total expenditures from administrative budget and trust accounts.....	5,160.3	6,316.4	10,322.2

Table H-3. FEDERAL HOSPITALS, OPERATING BEDS, AND PATIENT LOADS

	1965 actual	1966 estimate	1967 estimate
<b>Number of hospitals:</b>			
Defense.....	225	230	233
Health, Education, and Welfare.....	66	64	64
Veterans Administration.....	171	166	167
Other.....	35	35	35
<b>Total.....</b>	<b>497</b>	<b>495</b>	<b>499</b>
<b>Number of operating beds:</b>			
Defense.....	39,677	46,842	61,858
Health, Education, and Welfare.....	15,822	15,307	15,220
Veterans Administration.....	119,326	118,664	120,034
(Nursing home beds included in total).....	(208)	(1,645)	(3,000)
Other.....	3,159	3,159	3,159
<b>Total.....</b>	<b>177,984</b>	<b>183,972</b>	<b>200,271</b>
<b>Average daily patient load:</b>			
Defense.....	29,376	35,844	48,150
Health, Education, and Welfare.....	13,226	12,892	12,687
Veterans Administration.....	109,333	109,710	111,147
(Nursing home beds included in total).....	(150)	(1,510)	(2,790)
Other.....	2,055	2,119	2,144
<b>Total.....</b>	<b>153,990</b>	<b>160,565</b>	<b>174,128</b>

Table H-4. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)

Agency and program	Func- tional code	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS</b>				
<b>National defense:</b>				
Department of Defense:				
Hospital and medical care of military personnel and their dependents, retired personnel and their families on a space available basis, and civilian employees and their dependents overseas.....	051	880.2	1,011.3	1,156.0
Research in preventive medicine, improved methods of caring for and rehabilitating the sick and injured, and studies relating to medical problems of military science.....	051	98.4	108.4	118.5
Professional and technical training of personnel.....	051	56.6	67.1	69.3
Construction of hospitals and medical facilities.....	051	31.1	48.4	114.6
Department of Health, Education, and Welfare: Stockpiling of medical supplies.....	059	12.6	10.0	10.0
Atomic Energy Commission: Research on the effects and use of radiation.....	058	89.3	94.6	101.7
<b>Total, national defense.....</b>		<b>1,168.2</b>	<b>1,339.8</b>	<b>1,570.1</b>

Table H-4. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS—Continued</b>				
<b>International affairs and finance:</b>				
Peace Corps: Assistance to underdeveloped countries particularly for nursing and malaria eradication projects.....	152	5.9	7.2	7.5
United States Information Agency: Medical care of Foreign Service officers who become ill abroad.....	153	0.4	0.4	0.4
Agency for International Development: Grants, loans, and other assistance to underdeveloped countries in meeting their most pressing health problems.....	152	50.6	60.0	92.0
<b>Department of State:</b>				
Contributions to international organizations, conferences, and medical and hospital care of Foreign Service personnel and their dependents.....	151	18.0	20.2	21.9
Assistance to refugees from Communist countries, except Cuba.....	152	0.5	0.7	1.0
Mutual educational and cultural exchange activities.....	153	1.0	1.0	0.9
Military assistance program: Medical personnel and construction.....		15.0	15.0	20.0
Total, international affairs and finance.....		91.4	104.5	143.7
<b>Space research and technology:</b>				
National Aeronautics and Space Administration: Research on health factors and human capabilities in advanced aerospace systems.....	251	50.6	79.1	75.6
<b>Agriculture and agricultural resources:</b>				
Department of Agriculture: Plant and animal research; meat and poultry inspections.....	355	114.2	122.5	128.2
<b>Natural resources:</b>				
Department of the Interior: Care of Aleut Indians in Pribilof Island, Alaska, and grant to territories and American Samoa.....	910	4.1	4.6	4.6
<b>Commerce and transportation:</b>				
Small Business Administration: Loans for construction and operation of nursing homes and other health-related facilities.....	506	8.3	8.5	10.3
<b>Department of Housing and Urban Affairs:</b>				
Advances and loans to local communities for construction of sewer, water, and other health-related facilities, and grants for urban services and community facilities.....	553	39.8	27.2	87.1

Table H-4. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS—Continued</b>				
<b>Health, labor, and welfare:</b>				
Department of Health, Education, and Welfare:				
Freedmen's Hospital: Operation of a community teaching hospital serving Howard University Medical School	651	3.9	4.5	4.9
St. Elizabeths Hospital: Hospital care for the mentally ill in the District of Columbia	651	9.9	12.8	10.5
Public Health Service:				
Health services for Indians	651	62.2	66.7	72.5
Construction of Indian health facilities	651	9.2	8.0	14.0
Medical care of merchant seamen, narcotic addicts, and other Public Health Service beneficiaries	651	54.5	58.0	61.0
Quarantine activities	651	6.9	7.5	7.9
Grants and loans for construction of hospital and health facilities	651	200.5	205.6	257.6
Support of medical, dental, and nursing education and training	651	31.9	80.5	127.2
Accident and disease prevention and control	651	197.3	255.3	322.4
Proposed legislation: Support for planning health facilities and services, and for modernization of obsolete medical facilities; conversion of student loans to guaranteed loans				2.1
Scientific activities overseas	651	3.9	5.0	12.0
Construction of health facilities	651	16.5	25.0	23.0
Environmental health activities	651	52.1	67.3	83.7
National Institutes of Health:				
Research	651	587.3	749.2	815.0
Training	651	145.6	195.2	217.7
Water Pollution Control Administration:				
Proposed legislation: Clean river demonstration projects and expanded research and training				23.5
Welfare Administration:				
Grants for maternal and child welfare	651	72.1	142.4	164.2
Assistance to refugees and repatriated U.S. nationals	653	2.1	3.5	5.6
Public assistance grants for hospital and health care	653	554.0	775.0	759.4
Vocational Rehabilitation Administration: Rehabilitation grants and research and training in problems of handicapped individuals				
	659	38.9	56.2	80.6
Social Security Administration: General fund payments to trust fund				
	654		37.0	844.0
Food and Drug Administration: Enforcement of the pure food and drug laws				
	651	40.6	51.1	64.9
Department of Labor: Accident prevention and administration of Federal employees workmen's compensation program				
	652	6.8	6.9	7.3
Department of the Interior: Health research related to mine operation				
	652	0.3	0.3	0.3
Office of Economic Opportunity				
	655	5.6	39.0	74.9
Total, health, labor, and welfare		2,203.0	2,973.0	4,214.2

Table H-4. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>ADMINISTRATIVE BUDGET FUNDS—Continued</b>				
<b>Education:</b>				
Department of Health, Education, and Welfare:				
Practical nurse training .....	704	4.9	4.9	5.0
Defense educational activities .....	702	3.1	3.9	7.8
National Science Foundation: Support of basic research in health-related fields .....	703	25.9	35.1	35.9
Total, education .....		33.9	43.9	48.7
<b>Veterans benefits and services:</b>				
Veterans Administration: Hospital, domiciliary, and outpatient care of veterans including medical research and construction and modernization of facilities .....	804	1,265.7	1,343.0	1,386.5
<b>General government:</b>				
Department of Labor: Hospital and medical care for Federal employees injured in line of duty .....	906	11.0	10.9	13.0
Federal Aviation Agency: Research .....	501	1.7	1.7	1.7
Department of Justice: Medical care of prisoners .....	908	7.8	7.7	8.0
Civil Service Commission: Government contribution to Federal employees' health benefit funds for retired employees and annuitants .....	906	27.0	29.2	31.7
General Services Administration: Matching grant for a hospital in southeast Washington, D.C. ....	905	1.9	0.7	.....
Panama Canal: Medical and hospital care for civilian and military personnel, sanitation and quarantine .....	910	7.3	7.8	7.8
Transitional grants to Alaska .....	910	0.9	0.3	.....
Total, general government .....		57.6	58.3	62.2
Contributions by Federal agencies to employees' health benefits fund not included above .....		126.7	127.6	129.1
Total net administrative budget expenditures for health .....		5,163.5	6,232.0	7,860.3
Interfund transactions .....			-37.0	-844.0
<b>TRUST FUNDS</b>				
Civil Service Commission (revolving funds): Expenditures for employee health benefits .....	654	482.0	554.3	593.9
Receipts from employee and Government contributions .....		-492.1	-545.7	-601.8
Net expenditures from trusts revolving funds .....		-10.1	8.6	-7.9
Department of Health, Education, and Welfare: Social Security Administration: Expenditures for hospital and supplementary medical insurance .....	654		105.0	3,305.0
United States Soldiers Home: Hospital and domiciliary care of retired and disabled enlisted personnel of the Regular Army and Air Force .....	805	6.9	7.4	8.5
Railroad Retirement Board .....			0.4	0.3
Total net trust fund expenditures for health .....		-3.2	121.4	3,305.9
Total budget and trust fund expenditures for health .....		5,160.3	6,316.4	10,322.2

## SPECIAL ANALYSIS I

### FEDERAL RESEARCH, DEVELOPMENT, AND RELATED PROGRAMS

Funds for science and technology are a significant fraction of the Federal budget. Eleven executive departments and independent agencies either support or are engaged directly in the conduct of research and development to a substantial degree. Most of the effort is related to the broad missions and responsibilities of these agencies, while a part of the support is aimed at the general strengthening of the Nation's scientific base.

Science and technology programs are reviewed on behalf of the President by the Bureau of the Budget and the Office of Science and Technology, and additional coordination is provided by the Federal Council on Science and Technology. The President may also call upon his Scientific Advisory Committee for advice and recommendations on special problems relating to the Nation's scientific progress.

This analysis summarizes separately Federal funds for the conduct of research, for development, and for facilities related to both activities.<sup>1</sup> It also provides information on fields of science which are of broad national interest involving the research and development programs of several Federal agencies.

Development is financed by the Federal Government to design, fabricate, test, and evaluate prototypes of materials, devices, systems, or processes to accomplish specific agency missions. These include prototypes of complex devices such as military weapons, space vehicles, and nuclear reactors, and of "systems" for such purposes as air defense and aircraft traffic control.

Research is supported not only to further specific agency missions—often as a forerunner to development—but also to increase the broad body of scientific knowledge which underlies the future advancement of the Nation's welfare, economic growth, and security. Of particular long run importance to the latter objective is Federal support of basic research, especially that conducted in academic institutions.

*Development.*—Total Federal obligations for development are estimated to decrease slightly, from \$10.5 billion in 1966 to \$10.2 billion in 1967. Expenditures will approximate \$9.8 billion in both years. While there will be changes in specific Defense development programs, the overall funding level for the Department is estimated to be about the same in 1966 and 1967. The small decrease in funds for the National Aeronautics and Space Administration principally reflects the shift in the manned lunar landing program from the more costly development phase toward operational status. Minor changes are

Note.—Totals in text tables may not add due to rounding.

<sup>1</sup> Generally excluded from this analysis are funds for routine testing, experimental production, information activities, and training programs. This analysis also omits funds for research performed independently by contractors within overhead arrangements on some procurement contracts funded in Department of Defense procurement accounts and for the collection of general-purpose statistics by the Census Bureau and other agencies.

estimated in expenditures for most other agencies; a decline in obligations for other agencies is estimated in 1967 particularly reflecting major funding by the Federal Aviation Agency in 1966 of preliminary design work on the supersonic transport.

### Administrative Budget Obligations for Development

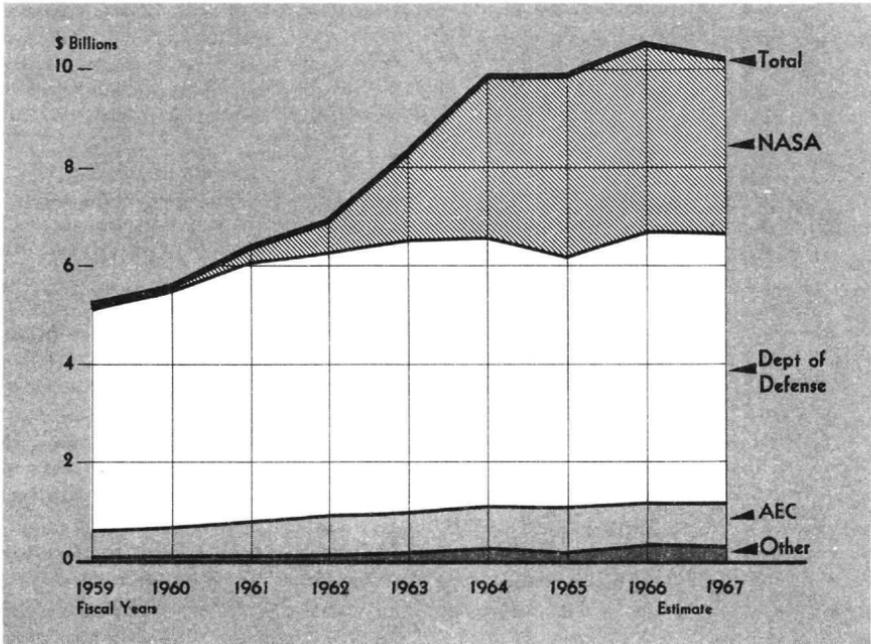


Table I-1. OBLIGATIONS AND EXPENDITURES FOR THE CONDUCT OF DEVELOPMENT<sup>1</sup> (in millions of dollars)

Agency	Obligations			Expenditures		
	1965	1966	1967	1965	1966	1967
Department of Defense—Military	5,053.5	5,518.2	5,493.3	4,973.1	4,960.0	5,005.0
National Aeronautics and Space Administration	3,744.7	3,802.9	3,544.0	3,495.9	3,777.0	3,618.0
Atomic Energy Commission	907.2	891.3	876.4	907.2	891.3	876.4
Other	122.3	316.8	272.9	151.4	219.7	282.3
Total	9,827.7	10,529.2	10,186.6	9,527.6	9,848.0	9,781.7

<sup>1</sup> In this table and tables I-2 through I-4 for agencies other than the Department of Defense and NASA "obligations" are generally "new obligational authority," which approximates "obligations" for analysis purposes. In this table and tables I-2 and I-3, "obligations" and "expenditures" for the AEC are accrued costs, which approximate obligations and expenditures for analysis purposes.

*Research.*—The overall Federal investment in research is estimated to increase slightly, from obligations of \$5.4 billion in 1966 to \$5.6 billion in 1967, and from expenditures of \$5.1 to \$5.3 billion. While research funds of the Departments of Defense, Agriculture, and Interior, and the National Aeronautics and Space Administration are

estimated to remain close to the same levels in 1966 and 1967, increases are estimated for other agencies, particularly the Atomic Energy Commission—for fundamental research; the Department of Health, Education, and Welfare—for medical, environmental, and educational research; the National Science Foundation—for basic research at

### Administrative Budget Obligations for Research

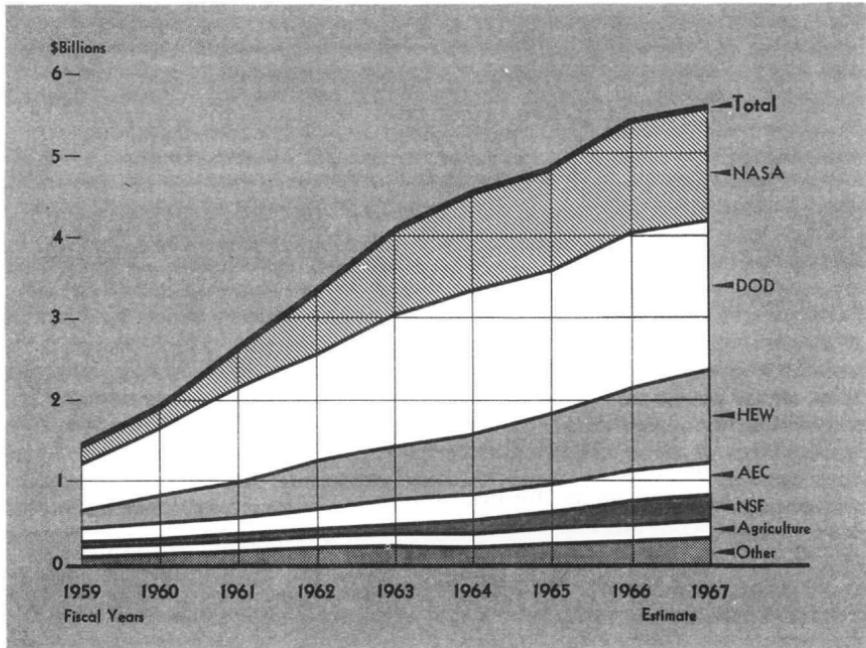


Table I-2. OBLIGATIONS AND EXPENDITURES FOR THE CONDUCT OF RESEARCH<sup>1</sup> (in millions of dollars)

Agency	Obligations			Expenditures		
	1965	1966	1967	1965	1966	1967
Department of Defense—Military National Aeronautics and Space Administration.....	1,738.4	1,897.9	1,812.1	1,650.0	1,810.0	1,795.0
Atomic Energy Commission.....	1,223.8	1,381.9	1,365.9	1,059.1	1,320.0	1,375.0
Department of Health, Educa- tion, and Welfare.....	333.5	364.9	393.1	333.5	364.9	393.1
National Science Foundation.....	858.7	1,029.3	1,154.5	647.9	893.6	1,016.8
Agriculture.....	217.0	257.0	287.0	146.8	177.7	226.2
Other.....	203.2	227.6	220.6	194.3	227.0	217.1
Interior.....	222.0	288.8	318.2	193.5	265.0	293.6
All other.....	(94.8)	(108.7)	(108.9)	(88.3)	(100.9)	(106.1)
	(127.2)	(180.1)	(209.3)	(105.2)	(164.1)	(187.5)
<b>Total.....</b>	<b>4,796.7</b>	<b>5,447.4</b>	<b>5,551.5</b>	<b>4,225.2</b>	<b>5,058.2</b>	<b>5,316.8</b>

<sup>1</sup> Includes funds for basic and applied research.

academic institutions; and the Department of Commerce—particularly for transportation research.

Although these increases are relatively small they further demonstrate the growing effort of the Federal Government to strengthen the Nation's "civilian" scientific and technological capability, at the same time continuing to maintain an adequate program of research and development for the defense and space efforts. Research is increasing significantly in such areas as education, water and air pollution, transportation, and the utilization of natural and agricultural resources as well as medical research.

To illustrate this trend, defense research—including military-related Atomic Energy Commission programs—has risen only 1% since 1962, while other research programs have almost tripled. Even excluding the substantial increase in NASA programs, all other "civilian" programs are estimated to nearly double in the 5-year period—from \$1.7 billion in 1962 to \$3.2 billion in 1967. Of this increase of \$1.5 billion, less than one-third is accounted for by medical research programs of the National Institutes of Health, despite the substantial growth which programs of that agency have shown.

*Basic research and support for academic science.*—Continued attention has been given in the preparation of the 1967 budget to overall Federal support of research in academic institutions. This is particularly reflected in the continued increase in funds for *basic* research, which provides the foundation for applied research and development and is a major factor in the maintenance of this country's leadership in science and technology.

While much of the total for basic research is spent on the necessary costs of spacecraft, launch vehicles, and other equipment to support the scientific programs of the National Aeronautics and Space Administration (see table I-6), and on the support of Federal or other nonacademic laboratories, more than one-third is expended through grants and contracts in colleges and universities—excluding "off-campus" laboratories operated under contract for the Federal Gov-

Table I-3. OBLIGATIONS AND EXPENDITURES FOR THE CONDUCT OF BASIC RESEARCH<sup>1</sup> (in millions of dollars)

Agency	Obligations			Expenditures		
	1965	1966	1967	1965	1966	1967
Department of Defense—Military.....	263.1	273.0	297.1	250.0	260.0	275.0
National Aeronautics and Space Administration.....	511.7	605.5	658.5	440.5	580.0	665.0
Atomic Energy Commission.....	258.2	285.1	310.9	258.2	285.1	310.9
Department of Health, Education, and Welfare.....	301.1	355.2	390.5	263.7	302.4	344.6
National Science Foundation.....	217.0	257.0	287.0	146.8	177.7	226.2
Agriculture.....	73.9	85.0	83.5	70.9	84.9	82.1
Other.....	69.8	79.8	88.6	64.5	75.3	83.2
<b>Total.....</b>	<b>1,694.8</b>	<b>1,940.7</b>	<b>2,116.2</b>	<b>1,494.7</b>	<b>1,765.4</b>	<b>1,987.0</b>

<sup>1</sup> Amounts are included in conduct of research, table I-2.

ernment. Total Federal research funds to colleges and universities proper, including funds for applied research—chiefly medical research supported by the National Institutes of Health—are estimated to be approximately one and a half billion dollars in 1967.

Federal research grants and contracts in academic institutions have been, in the past, largely concentrated in a relatively few universities and focused on relatively short-range objectives, as the most expeditious means of meeting the mission needs of individual agencies for immediate research results. It is important to the long-range national interest that Federal research programs reach an increased number of academic institutions and contribute to the strengthening of these institutions. Specialized programs of agencies such as the National Science Foundation, the Department of Health, Education, and Welfare, and the National Aeronautics and Space Administration have been directed toward strengthening academic institutions and broadening Federal support of science activities in academic institutions. In 1966 the President directed that, to the degree consistent with their mission responsibilities, all agencies administer their *total* research grant and contract programs so that Federal funds will contribute more effectively to the long-range strength of the Nation's structure for scientific research and education. Under the 1967 budget, the President's policy will be further implemented by the agencies in the administration of their research funds.

*Research and development facilities.*—Total obligations for facilities in support of Federal research and development programs are estimated to decrease from \$849 million in 1966 to \$617 million in 1967. Expenditures will also decrease—from \$1,054 million in 1966 to \$841 million in 1967. These decreases largely reflect the completion of major phases of test facilities and launch complexes related to the National Aeronautics and Space Administration manned lunar landing program. While variations occur between 1966 and 1967 in the funding of facilities for other agencies, they do not signal significant changes.

Table I-4. OBLIGATIONS AND EXPENDITURES FOR RESEARCH AND DEVELOPMENT FACILITIES (in millions of dollars)

Agency	Obligations			Expenditures		
	1965	1966	1967	1965	1966	1967
Department of Defense—Military.....	68.5	84.9	104.8	99.9	74.6	78.0
National Aeronautics and Space Administration.....	532.2	345.2	123.0	537.9	503.0	307.0
Atomic Energy Commission.....	268.9	189.9	220.1	279.4	260.8	241.9
Department of Health, Education, and Welfare.....	102.0	109.5	79.7	51.6	73.1	94.3
National Science Foundation.....	56.2	66.8	61.9	48.4	58.4	56.8
Agriculture.....	14.5	24.1	2.6	5.1	20.0	21.6
Other.....	41.9	28.9	25.3	55.2	64.5	41.4
Total.....	1,084.3	849.3	617.4	1,077.6	1,054.3	841.0

Descriptions of the major agency research and development programs are provided in the following section of this analysis.

## PROGRAMS OF AGENCIES WITH MAJOR RESEARCH AND DEVELOPMENT ACTIVITIES

### DEPARTMENT OF DEFENSE—MILITARY

The programs of the Department of Defense include basic and applied research in subjects of potential military significance; exploratory, advanced, and engineering development of new systems and system components; and development of weapons systems approved for introduction into the operational forces. The principal amounts for these purposes and for the operation of research and testing facilities of the Department are carried in the budget under appropriations entitled "Research, development, test, and evaluation." Certain supporting amounts are provided in the military personnel, procurement, operations and maintenance, and military construction appropriations, as indicated in table I-5. Research and development related to civil defense is financed under that heading.

The total research and development effort will be at substantially the same level in 1966 and 1967. Of the totals shown in table I-5 for 1967, 4% is for basic scientific research. Approximately 22% is for applied research, including experiments with extensive equipment requirements, designed to solve defense problems. Approximately 74% is for development, test, and evaluation of new military weapons and equipments and for support of laboratory and test facilities for defense research and development.

The total amount for basic research will increase in 1966 as shown in table I-3. Applied research, including projects with extensive equipment requirements, will decline slightly. In 1967 the major share of development efforts will continue to be for conventional and limited war weapons systems; work on future strategic weapons will increase.

The composition of the programs of the Department by major fields of concentration is shown in table I-5. Development of several versions of the new F-111 aircraft for use by both the Navy and the Air Force, as well as smaller aircraft and helicopters to provide combat support and mobility for the ground forces, will continue in 1967. Development work already started on the new large C-5A cargo transport aircraft will require increased financing in 1967. Missile developments include the Army's project for the Nike-X antiballistic missile system, a new surface-to-air missile system, the Navy's Poseidon, and the new Air Force ballistic missile, Minuteman III.

Included in military astronautics are such space programs as the manned orbiting laboratory (MOL) program, reentry and recovery technology programs, and basic engine and vehicle development efforts, such as the Titan III multipurpose space booster program. Totals for the military space program are given in table I-13. The research and development totals also include substantial efforts for antisubmarine warfare and in the development of improved combat vehicles for use by our land forces. Provision is also made for support of Government-owned laboratories and test installations such as the Atlantic and Pacific missile ranges.

Table I-5. **OBLIGATIONS AND EXPENDITURES OF THE DEPARTMENT OF DEFENSE—MILITARY—RESEARCH AND DEVELOPMENT** (in millions of dollars)

Purpose and budget title	1965 actual	1966 estimate	1967 estimate
Obligations for the conduct of research and development:			
Research, development, test, and evaluation:			
Military sciences.....	619.8	606.9	616.4
Aircraft and related equipment.....	1,094.9	1,225.7	1,036.8
Missile and related equipment.....	1,955.0	1,964.0	2,314.5
Military astronautics and related equipment.....	896.7	1,048.3	852.7
Ships, small craft, and related equipment.....	257.0	339.5	271.1
Ordnance, combat vehicles, and related equipment.....	342.2	397.2	360.2
Other equipment.....	774.6	944.9	865.5
Programwide management and support.....	446.7	464.9	451.1
Emergency fund.....		19.4	125.0
Total, direct obligations, research, development, test, and evaluation.....	6,386.9	7,010.8	6,893.3
Military personnel.....	277.3	280.5	275.8
Procurement.....	81.9	77.1	83.9
Operations and maintenance.....	34.5	36.7	42.4
Civil defense.....	11.3	11.0	10.0
Total, direct obligations, for the conduct of research and development.....	6,791.9	7,416.1	7,305.4
Obligations for research and development facilities: Military construction.....	68.5	84.9	104.8
Total, direct obligations for research and development.....	6,860.4	7,501.0	7,410.2
Total expenditures for research and development.....	6,723.0	6,844.6	6,878.0

#### NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

All the activities of the National Aeronautics and Space Administration are classified as research and development for purposes of this special analysis. The National Aeronautics and Space Administration is responsible for the development, test, and operation of spacecraft and vehicles for manned and unmanned exploration of space and other nonmilitary applications, and for conducting the broad programs of supporting research and development required for these purposes. In addition, NASA is responsible for conducting research to advance aircraft technology in support of both military and civilian interests. The nature and composition of the research and development programs of NASA are shown on table I-6.

Total expenditures for NASA in 1967 are estimated at \$5.3 billion, a decrease of \$300 million from the estimate for 1966. This decrease is the first since NASA was established in 1958. New obligational authority will also decrease from \$5,175 million in 1966 to \$5,012 million in 1967. The NASA program can be sustained at a lower funding level than 1966 because a number of major projects will be progressing from the more expensive development phase into the operational phase and no new starts are planned that will require equivalent 1967 funds.

Expenditures for research programs will increase somewhat from 1966 to 1967 while expenditures in the manned space flight and other

advanced development programs begin to decline. Expenditures for facilities reached a peak in 1965 and will decline in 1966 and 1967 as work on major portions of the manned lunar landing construction program is completed.

NASA activities classified as basic research include space flight programs in physics, astronomy, and the biological sciences, and the planetary and interplanetary programs. Also included are the programs of supporting research and technology which result in preliminary investigations for, or instrumentation to be used in, the above described flight programs. The preparation of the scientific experiments carried on the manned flight missions, including the development of research experiments for the lunar expeditions, is also classed as basic research.

The other research category includes those activities directed toward the application of new knowledge to the improvement of space systems and aircraft. In this year's analysis it also includes the Surveyor and Orbiter projects which, while generating a wealth of data useful for basic research, are nevertheless now directed primarily toward providing data needed for the design and operation of manned lunar landing systems. The applications technology satellite project is also placed in this category this year.

Table I-6. EXPENDITURES OF THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION FOR RESEARCH AND DEVELOPMENT  
(in millions of dollars)

Program and type of activity	1965 actual	1966 estimate	1967 estimate
Conduct of research:			
Basic scientific research in space:			
Spacecraft, instrumentation, conduct of experiments, and supporting costs.....	295.8	385.0	480.0
Procurement of launch vehicles for basic research purposes.....	39.5	60.0	50.0
Other basic research in space science and technology ..	105.2	135.0	135.0
Subtotal, basic research.....	440.5	580.0	665.0
Other research.....	565.7	665.0	640.0
Procurement of launch vehicles for other research purposes.....	52.9	75.0	70.0
Total, conduct of research.....	1,059.1	1,320.0	1,375.0
Conduct of development:			
Manned space flight and supporting development.....	3,210.8	3,557.0	3,418.0
Development of launch vehicles for research purposes....	94.3	60.0	35.0
Other development.....	190.8	160.0	165.0
Total, conduct of development.....	3,495.9	3,777.0	3,618.0
Research and development facilities:			
Facility grants to colleges and universities.....	7.0	8.0	7.0
Manned space flight and supporting facilities.....	444.0	400.0	240.0
Other research and development facilities.....	86.9	95.0	60.0
Total, research and development facilities.....	537.9	503.0	307.0
Total, National Aeronautics and Space Adminis- tration.....	5,092.9	5,600.0	5,300.0

The development category includes the development and operation of manned space flight systems, except for the scientific experiments discussed above. Development of launch vehicles for research purposes is now included in this category rather than in basic research as in past years. Other development activities are comprised primarily of the SNAP 8, M-1 engine, large solid rocket, and Rover nuclear rocket programs, the Nimbus meteorological satellite, and supporting activities.

#### ATOMIC ENERGY COMMISSION

The Atomic Energy Commission's research and development programs account in 1967 for 66% of AEC's annual expenditures.

Research programs, which in 1967 constitute approximately 31% of the total conduct of research and development, are conducted in the physical and biomedical sciences to secure a better understanding of nuclear structure, nuclear processes, and the effects of nuclear radiation on living organisms and systems. Of the total funds programed for research, about 79% is considered to be basic or fundamental research. The developmental activity primarily comprises programs to develop improved nuclear reactors for a variety of power and propulsion applications, to design and test improved nuclear weapons, and to develop the peaceful uses of radioisotopes and nuclear explosives.

The major elements of the AEC research programs are in the physical and biomedical sciences. The physical sciences research program, which increases by 10% in 1967, consists of research in high, medium, and low energy physics and in those aspects of chemistry, metallurgy, and mathematics, of particular importance to nuclear science and technology. In addition, there is a continuing program of research with the mononuclear plasmas, the purpose of which is to determine whether the energy released in the mononuclear reactions can be controlled.

Of special importance in 1967 are AEC's plans to increase by an order of magnitude the intensity of the world's highest energy proton accelerator at Brookhaven National Laboratory, and to design at the Los Alamos Scientific Laboratory a very high intensity 800 million electron volt linear proton accelerator.

Studies are presently underway to choose the most appropriate site for a 200 billion electron volt (Bev) circular proton accelerator. This accelerator, with supporting equipment and facilities, has an estimated capital cost of about \$375 million. Design funds for the 200-Bev machine will be requested once a site has been selected and the design has been authorized.

AEC's reactor development program includes efforts to develop improved types of central station nuclear power reactors, nuclear rockets (Project Rover), compact nuclear electric power sources for space and other remote applications (Project SNAP), reactors for naval propulsion, and to broaden the base of reactor technology. In 1967, continued emphasis will be placed on advanced power reactors which make improved use of nuclear fuels, including the development of "fast breeder" reactors which would produce more fuel than they consume. In 1967 AEC will initiate design of a large fast flux test facility for the fast breeder program. It is estimated that the total construction cost of this facility would be about \$75 million.

Table I-7. EXPENDITURES OF THE ATOMIC ENERGY COMMISSION FOR RESEARCH AND DEVELOPMENT (in millions of dollars)

Program	Conduct of research and development			Research and development facilities		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
Special nuclear materials and weapons.....	453.6	441.4	423.1	73.0	72.5	64.6
Reactor development.....	477.6	468.1	468.4	99.8	94.5	82.0
Physical research.....	212.6	236.0	258.9	95.2	83.1	81.6
Biology and medicine.....	77.2	83.0	87.5	9.3	8.4	11.0
Other research and development.....	19.8	27.7	31.7	2.2	2.3	2.8
Total, Atomic Energy Commission..	1,240.7	1,256.1	1,269.6	279.4	260.8	241.9

## DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Expenditures by the Department of Health, Education, and Welfare for research and development will increase by \$162 million to a level of \$1,143 million in 1967. This increase occurs primarily in health and health-related research—particularly in programs of the National Institutes of Health. While support continues to be given to expanding the base of knowledge in the life sciences, increasing emphasis will be placed on new and improved methods of prevention, diagnosis, and care.

The scope and complexity of pollution problems necessitate a major increase in expenditures to discover the basic mechanisms of the health effects of pollutants and to develop methods for detection and control. New programs of research will be initiated at the National Environmental Health Sciences Center, and university institutes of environmental health sciences will be expanded. The new Water Pollution Control Administration will increase its research on advanced waste treatment methods, and the Food and Drug Administration will broaden its research efforts relating to drug efficacy and safety.

Expenditures for Office of Education programs will rise sharply reflecting a major expansion and change in direction authorized as a part of the Elementary and Secondary Education Act of 1965. Under that authority, support will be provided for regional educational laboratories at which institutions of higher education, States, private enterprise, and schools will work together to bring the results of educational research and new curricular design to the Nation's classrooms. Increases will also be provided for research centers which focus on current education problems such as education of the disadvantaged, individualized instruction, early childhood learning, teacher education, and strengthening institutions of higher education. Support will also be expanded for development of new curricular materials.

## NATIONAL SCIENCE FOUNDATION

Total expenditures of the National Science Foundation for the support of basic research and research facilities will increase by an estimated \$47 million over the 1966 level of \$236 million.

The major increase in 1967 is for the support of basic research in colleges and universities with emphasis on encouraging research at a wider range of institutions than at the present time. Additional funds are provided for the national research centers in the atmospheric sciences and astronomy—mainly for the completion of a 150-inch optical telescope for which the primary optical system was funded in 1965. Increases are also included for computing facilities, both to assist universities to obtain additional computer capacity and to support computer operations for special scientific purposes. The estimate for Project Mohole to explore the physical properties of the earth's inner layers includes funds for completion of the drilling platform. The Foundation's program in weather modification will be expanded in 1967 in recognition of new opportunities for improving the understanding of the various mechanisms for effecting modification of the weather. Support will be continued for the United States Antarctic Program and for ocean sediment coring.

#### DEPARTMENT OF AGRICULTURE

Expenditures of the Department of Agriculture for research and development are estimated to be \$247 million in 1967 compared with \$255 million in 1966. Reductions in lower priority work in farm, utilization, and marketing research at 69 separate locations will permit the expansion of other research activities within the reduced overall total, including research operations at more effective, new and expanded farm and utilization research laboratories and watershed research centers. The Department's economic research activities will also increase.

An increase in the program of grants to the States for the conduct of basic and applied scientific research at State experiment stations will be more than offset by a decrease in grants to State experiment stations under the Hatch Act.

While expenditures for facilities will continue at about the 1966 level, obligations will drop substantially, reflecting the completion of funding for major research facilities.

#### DEPARTMENT OF THE INTERIOR

Expenditures of the Department of the Interior for research and development will increase from \$137 million in 1966 to \$147 million in 1967. Efforts to improve conservation and sound use of the Nation's natural resources are conducted by the Fish and Wildlife Service, the Geological Survey, the Bureau of Mines, and the Offices of Saline Water, Water Resources Research, and Coal Research. Research also aids the improvement of resources management in such operating bureaus of the Department as the Bureau of Reclamation and Bonneville Power Administration.

Research and development programs are seeking new and expanded markets for coal, increased knowledge of the properties of oil shale, and better techniques for recovery of oil from shale. Research on the recovery and utilization of waste metal, particularly auto body scrap, will be expanded in 1967. This will aid in the elimination of unsightly auto junk yards throughout the country. Studies of the geophysical and geochemical properties of the upper mantle of the

earth's crust—which relate to the technology of obtaining deep-lying mineral deposits—will be continued, as will research on geologic hazards and prediction of earthquakes.

The water resources research of the Department will be increased significantly, with emphasis on determination of the distribution of natural chemicals and pollutants throughout natural water systems, surface and underground supplies, augmentation of reservoir inflow by weather modification, and conversion of salt and brackish water to fresh supplies. Research on the effects on fish and wildlife of pesticidal chemicals also will increase.

#### DEPARTMENT OF COMMERCE

Expenditures of the Department of Commerce for the conduct of research and development will total \$79 million in 1967, an increase of \$17 million over 1966. This increase is largely offset by a reduction of \$13 million from 1966 to 1967 in expenditures for construction of research and development facilities as the new National Bureau of Standards complex at Gaithersburg, Md., nears completion.

In 1967, expenditures for the high-speed ground transportation research and development program, initiated in 1966, will increase by \$14 million, principally for investigation of new technology for guideways, power, and control systems, and also for demonstrations of high-speed rail passenger service. The National Bureau of Standards' research program provides for increased standard reference data and performance criteria efforts and for more adequate services and research in data processing standards and computer sciences. An increase is also included for additional work in weather modification, sea-air interaction, and environmental hazards by the new Environmental Science Services Administration. Much of this work was previously conducted in other parts of the Department.

#### SELECTED GOVERNMENT-WIDE SCIENTIFIC ACTIVITIES OF THE FEDERAL GOVERNMENT

The following section presents a number of scientific activities of the Federal Government on a Government-wide basis. In these fields, and in many other fields, the office of Science and Technology, with the advice of the President's Science Advisory Committee and the Federal Council for Science and Technology, is active in improving the planning, coordination, and review of Federal research and development programs. Funds for these scientific and technical activities are included in the agency figures shown elsewhere in this analysis.

#### ATMOSPHERIC SCIENCES

The atmospheric sciences are concerned with the physical and chemical properties, composition, behavior, and processes of the earth's atmosphere and the atmospheres of other planets. In the following table research and development activities only are reported. Weather services programs will be reported separately in a detailed plan prepared by the Federal Coordinator for Meteorological Services and Supporting Research, Environmental Science Services Administration, Department of Commerce.

Table I-8. OBLIGATIONS OF FEDERAL AGENCIES FOR ATMOSPHERIC SCIENCES (in millions of dollars)

Agency	1965	1966	1967
Departments of:			
Agriculture.....	0.7	1.0	1.0
Commerce.....	14.9	17.0	17.6
Defense.....	76.3	76.6	79.1
Health, Education, and Welfare.....	2.0	2.2	2.7
Interior.....	1.6	3.5	3.9
Atomic Energy Commission.....	7.1	7.5	7.0
Federal Aviation Agency.....	1.9	3.0	2.4
National Aeronautics and Space Administration.....	80.1	88.4	95.4
National Science Foundation.....	22.9	24.9	25.4
Total.....	207.5	224.1	234.6

While overall funding for atmospheric research has been significantly influenced in the past by fluctuations in the costs of satellite development and flight activities, these latter costs now are becoming more stable. Exclusive of satellite programs, funding for atmospheric sciences increased 12% to 14% per year from 1962 through 1966; a 7% increase is estimated in 1967.

The Department of Commerce, through its new Environmental Science Services Administration, will increase its efforts in weather modification research and will also stress the development of means of predicting and monitoring disturbances in the space environment having important implications to man's use of the upper atmosphere and space. Greater emphasis will also be placed on weather modification research by the National Science Foundation as it continues to support basic research in the atmospheric sciences. The atmospheric research aspects of the water resources program of the Bureau of Reclamation of the Department of the Interior is planned to continue at a slightly higher level for 1967.

The Department of Defense will emphasize research in aeronomy (the upper atmosphere) and reduce efforts in meteorology (primarily concerned with phenomena occurring within 50 kilometers of the earth's surface); the Environmental Science Services Administration will emphasize meteorology and reduce its efforts in aeronomy; and the National Aeronautics and Space Administration will emphasize both, as well as increasing its studies of the planetary atmospheres.

The distribution of Federal support for research in the areas of meteorology, aeronomy, and the planetary atmospheres is as follows:

Table I-9. OBLIGATIONS FOR ATMOSPHERIC SCIENCES BY FUNCTIONAL AREA (in millions of dollars)

Functional area	1965	1966	1967
Meteorological research and service system development....	102.6	112.8	118.7
Upper atmosphere research.....	100.2	105.7	110.1
Studies of planetary atmospheres.....	4.6	5.6	5.8
Total.....	207.5	224.1	234.6

Applied research and development whose principal objective is to improve operational weather services is included in the above amounts. These projects will also be reported in the detailed plan prepared by the Federal coordinator.

#### MEDICAL RESEARCH

Federal expenditures for medical and health-related research activities are estimated to be \$1,448 million in 1967. This is an expansion of about 10% over the 1966 level of \$1,320 million.

Of the increase of \$128 million in overall medical research expenditures in 1967, \$113 million, or 88%, is in expenditures of the Department of Health, Education, and Welfare, predominately in the National Institutes of Health. Significant increases will occur in both the extramural and the intramural programs of NIH. It is estimated that by 1967, NIH will support approximately 38% of the total national medical research effort of more than \$2 billion in public and private funds. Other increases in the Department of Health, Education, and Welfare result from a major expansion in environmental pollution research and related health research through the programs of the Public Health Service, the new Water Pollution Control Administration, and the Food and Drug Administration.

Table I-10. EXPENDITURES OF FEDERAL AGENCIES FOR MEDICAL AND HEALTH-RELATED RESEARCH (in millions of dollars)

Agency	1965 actual	1966 estimate	1967 estimate
Department of Health, Education, and Welfare:			
Public Health Service.....	666.1	858.1	934.5
(National Institutes of Health).....	(587.3)	(749.2)	(815.0)
Other.....	28.1	50.9	87.9
Total, Department of Health, Education, and Welfare.....	694.2	909.0	1,022.4
Department of Defense.....	98.4	108.4	118.5
Atomic Energy Commission.....	89.3	94.6	101.7
Department of Agriculture.....	38.0	40.0	40.7
National Aeronautics and Space Administration.....	50.6	79.1	75.6
National Science Foundation.....	25.8	35.0	35.8
Veterans Administration.....	40.9	50.4	49.4
Other.....	2.9	3.6	4.0
Total, medical and health-related research.....	1,040.1	1,320.1	1,448.1
Total, conduct of research.....	(965.5)	(1,213.7)	(1,324.9)
Total, research facilities.....	(74.6)	(106.4)	(123.2)

The increased level of medical research supported by the Department of Defense is principally for efforts to improve malaria control and treatment measures for use in Southeast Asia. The Atomic Energy Commission's biomedical research program, which is principally concerned with the effects of radiation on man and his environment, will continue to expand. The medical research programs of the other agencies will be at substantially the same level in 1967 as in 1966.

#### OCEANOGRAPHY

The national oceanographic program represents the coordinated research and survey efforts of nine agencies to improve our under-

standing of the oceans in the pursuit of such national interests as defense, the exploitation of food and mineral resources, the improvement of weather forecasting, and the prevention of pollution. To achieve these goals the properties of the ocean must first be understood, and thus the largest effort is directed to ocean research. The research program is directed to describing and understanding the physical and chemical properties of the "world ocean," the effect of the interrelationship of the ocean and the atmosphere, the distribution of marine organisms, the structure of the ocean floor and its history, and the modifications of the ocean by human activities. The survey program provides basic data necessary for research, exploration, and use of the oceans. The increase in survey effort reflects the addition of modern vessels into the fleet and increased survey effort by the Navy related to sound propagation.

To insure greater understanding of all Federal marine science and technology, this year's analysis incorporates work in developing vehicles, structures, and other equipments for work in the ocean. Table I-11 below identifies both the regular oceanography program, for comparison with programs previously reported, and the consolidated program for ocean technology and oceanography. The changes in the total for ocean technology and the consolidated totals reflect in part the phasing of construction and equipment contracts.

The programs of the several agencies which comprise the national oceanographic program have been developed to meet agency requirements in consultation with the membership of the Interagency Committee on Oceanography of the Federal Council for Science and Technology. The Committee has advised agencies on useful opportunities for ocean research, exploration, and equipment development, and has helped to develop a balanced program that avoids duplicate efforts and insures maximum exchange of information.

Table I-11. OBLIGATIONS FOR OCEANOGRAPHY AND OCEAN TECHNOLOGY BY FUNCTIONAL AREA (in millions of dollars)

	1965	1966	1967
Research.....	70.5	76.1	83.1
Ocean coring program.....		5.4	1.3
Surveys and data center.....	27.3	30.7	39.8
Subtotal, operating programs.....	97.8	112.2	124.2
Ship construction.....	20.7	12.5	16.2
Facilities construction.....	6.0	3.5	5.2
Equipment development and procurement.....	10.3	9.4	8.4
Subtotal, capital programs.....	37.0	25.4	29.8
Total, oceanography.....	134.8	137.6	154.0
Ocean technology.....	62.0	40.6	65.9
Grand total, oceanography and ocean technology.....	196.8	178.2	219.9

As shown in table I-11 above, the funds devoted to oceanographic research and survey programs will continue to increase in 1967, while obligations for capital programs will rise slightly. The decrease in total obligations for 1966 results from larger construction obligations

in 1965 for Project Mohole and the nuclear-powered research vehicle. The decrease in National Science Foundation obligations in 1967 also reflects certain startup costs in 1966 for the ocean coring program which will not recur in 1967. The Foundations's oceanographic research program will continue to increase.

Table I-12. OBLIGATIONS OF FEDERAL AGENCIES FOR OCEANOGRAPHY  
(in millions of dollars)

Agency	1965 actual	1966 estimate	1967 estimate
Departments of:			
Commerce.....	20.1	13.1	16.4
Defense.....	98.1	80.5	113.4
Health, Education, and Welfare.....	5.2	6.3	9.7
Interior.....	20.2	19.4	19.5
State.....	.4	.5	.5
Treasury.....	2.0	2.1	2.3
Atomic Energy Commission.....	6.0	11.6	13.5
National Science Foundation.....	44.0	43.2	43.0
Smithsonian Institution.....	.9	1.5	1.6
Total.....	196.8	178.2	219.9

#### SPACE PROGRAMS

As shown on table I-13, new obligational authority for the total Federal space programs is estimated at \$6.7 billion in 1967, a decrease of \$267 million from 1966. Expenditures decrease \$320 million in 1967. The principal decreases are in the NASA program and largely reflect the completion of the Gemini program and the projected progress of the manned lunar landing program from the development phase into the flight operations stage. Except for the operational satellite programs of the Department of Commerce, amounts for the space programs are classified as research and development and are included in the totals in this special analysis.

Table I-13. NEW OBLIGATIONAL AUTHORITY AND EXPENDITURES FOR  
FEDERAL SPACE PROGRAMS (in millions of dollars)

Agency	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
National Aeronautics and Space Administration <sup>1</sup> .....	5,167.6	5,087.9	4,908.3	5,035.0	5,521.0	5,211.0
Department of Defense.....	1,579.4	1,693.5	1,620.7	1,591.8	1,640.0	1,650.0
Atomic Energy Commis- sion.....	228.6	195.6	173.5	232.2	201.0	173.7
Department of Commerce: Environmental Science Services Administration.....	12.2	27.3	35.8	24.1	19.2	27.0
National Science Founda- tion.....	3.2	3.6	2.9	3.0	3.5	2.8
Total.....	6,991.0	7,007.9	6,741.2	6,886.1	7,384.7	7,064.5

<sup>1</sup> Excludes aircraft technology.

All activities of the National Aeronautics and Space Administration are included in the amounts shown, with the exception of amounts specifically identified with aircraft technology. Over two-thirds of the 1967 expenditures will be devoted to the achievement of a manned lunar landing within this decade. The balance of the NASA funds provide for continuing unmanned space exploration with satellites and probes, development of space applications, and a continuing program of studies and supporting research.

The estimates for the Department of Defense include the projects in the Department's aeronautics budget activity and certain amounts in other budget activities which contribute to the space effort, such as missile development, range operations, and various supporting research, development, and operating costs. The amounts shown include funds for the manned orbiting laboratory (MOL), the communications, navigation, and nuclear detection satellite programs, the Titan III space booster, and for supporting research and development.

For the Atomic Energy Commission, the table includes amounts for development of nuclear rocket propulsion and nuclear power sources for space applications, including production of isotopic fuels, and amounts for aerospace safety. The amounts shown for Commerce are primarily those related to the establishment and the operation of a satellite system to observe meteorological conditions, and, therefore, are not included in the total for research and development in this special analysis. The amounts for the National Science Foundation are for research in astronomy using rockets and satellite-borne observation instruments.

#### WATER RESEARCH

The Committee on Water Resources Research of the Federal Council for Science and Technology has worked intensively during 1965 to develop a balanced, long-term plan for water resources research. The recommendations of the Committee have been independently reviewed by a panel of experts convened under the aegis of the President's Science Advisory Committee, and a report will be published this spring to provide program guidance for the agencies having responsibilities relating to water.

In planning their 1967 programs, agencies considered the emerging priorities identified during the Committee's planning process. The total for water resources research in 1967 is \$15 million larger than 1966, as shown in Table I-14. An increase has been provided for research to improve the water resources planning process. Dramatic changes in our planning needs and in water resources management problems make this a vital research area. Increases have been provided for research on pollution control and for saline water conversion processes.

Table I-14. OBLIGATIONS OF FEDERAL AGENCIES FOR WATER  
RESEARCH AND SURVEYS (in millions of dollars)

Agency	1965 actual	1966 estimate	1967 estimate
Departments of:			
Agriculture.....	13.7	16.5	16.5
Commerce.....	.9	1.0	1.0
Defense.....	3.6	3.9	5.6
Health, Education, and Welfare.....	13.5	17.7	23.9
Interior.....	33.2	47.5	54.7
Atomic Energy Commission.....	2.8	2.7	2.7
National Science Foundation.....	1.7	1.9	2.0
Tennessee Valley Authority.....	.6	.8	.9
<b>Total.....</b>	<b>70.0</b>	<b>92.0</b>	<b>107.3</b>

#### SCIENCE INFORMATION

A strong national scientific and technological effort demands effective mechanisms for the handling of scientific information. To evolve an overall national network able to handle efficiently the data produced by expanding research and development activities, existing information activities must grow in a coordinated manner. For this reason leadership by the Office of Science and Technology and the interagency Committee on Scientific and Technical Information of the Federal Council for Science and Technology has been intensified during the past year. Attention has been focused on the integration of Federal science information activities, developed to meet agency mission needs, into broader national systems. This Committee of the Federal Council on Science and Technology has recently completed a far-reaching study, "Recommendations for National Document Handling Systems in Science and Technology." This study is an important step toward development of a comprehensive course of action so that information activities within individual departments and agencies will be developed in a coordinated, nonduplicative manner.

In fiscal year 1967, emphasis will continue to be placed on developing a national network of information systems. Approximately \$60 million will be provided for the support of research and development on scientific and technical information systems, techniques, and devices.

## SUMMARY DATA

Table I-15 below gives historical data on total research and development expenditures by major agency. Table I-16 following provides information on expenditures for the conduct of research and development and for research and development facilities by agency and major subdivisions for the fiscal years 1965, 1966, and 1967.

Table I-15. BUDGET EXPENDITURES FOR RESEARCH AND DEVELOPMENT, 1954-66 (in millions of dollars)

Fiscal year	Department of Defense <sup>1</sup>	NASA <sup>2</sup>	AEC	D/HEW	NSF	Other	Total
1954	2,487	90	383	63	4	121	3,148
1955	2,630	74	385	70	9	140	3,308
1956	2,639	71	474	86	15	161	3,446
1957	3,371	76	657	144	31	183	4,462
1958	3,664	89	804	180	33	220	4,990
1959	4,183	145	877	253	51	293	5,803
1960	5,654	401	986	324	58	315	7,738
1961	6,618	744	1,111	374	77	356	9,278
1962	6,812	1,257	1,284	512	105	403	10,373
1963	6,849	2,552	1,335	632	142	478	11,988
1964	7,516	4,171	1,505	791	197	496	14,676
1965	6,728	5,093	1,520	707	195	587	14,830
1966	6,850	5,600	1,517	980	236	778	15,961
1967	6,886	5,300	1,511	1,143	283	816	15,939

<sup>1</sup> Includes civil functions.

<sup>2</sup> National Advisory Committee for Aeronautics prior to 1958.

Table I-16. ADMINISTRATIVE BUDGET EXPENDITURES FOR FEDERAL RESEARCH AND DEVELOPMENT PROGRAMS (in millions of dollars)

Description	Conduct of research and development			Research and development facilities		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
<b>Department of Agriculture:</b>						
Agricultural Research Service.....	111.0	130.3	126.8	1.6	3.9	11.0
Cooperative State Research Service.....	46.6	57.8	47.2	.2	2.0	.....
Forest Service.....	28.3	28.7	33.1	3.1	3.3	1.7
Other.....	15.3	18.1	17.8	.2	10.8	8.9
<b>Total, Department of Agriculture.....</b>	<b>201.2</b>	<b>234.9</b>	<b>224.9</b>	<b>5.1</b>	<b>20.0</b>	<b>21.6</b>
<b>Department of Commerce:</b>						
National Bureau of Standards.....	22.4	28.3	24.9	28.9	24.2	11.1
Weather Bureau.....	10.0	11.0	.....	.....	.....	.....
Environmental Science Services Administration.....	.....	.....	19.7	.....	.....	.....
Office of Transportation Research.....	1.1	6.0	20.5	.....	.....	.....
Other.....	11.9	16.7	14.3	.....	.....	.....
<b>Total, Department of Commerce.....</b>	<b>45.4</b>	<b>62.0</b>	<b>79.4</b>	<b>28.9</b>	<b>24.2</b>	<b>11.1</b>
<b>Department of Defense:</b>						
Military.....	6,623.1	6,770.0	6,800.0	99.9	74.6	78.0
Civil.....	4.6	5.2	7.9	.....	.....	.....
<b>Total, Department of Defense.....</b>	<b>6,627.7</b>	<b>6,775.2</b>	<b>6,807.9</b>	<b>99.9</b>	<b>74.6</b>	<b>78.0</b>
<b>Department of Health, Education, and Welfare:</b>						
Food and Drug Administration.....	6.6	10.5	12.4	.....	.3	1.1
Office of Education.....	19.0	47.8	78.1	.1	5.9	17.4
Public Health Service.....	590.0	796.3	878.9	51.5	66.9	65.7
(National Institutes of Health).....	(552.3)	(705.8)	(768.2)	(35.0)	(40.3)	(41.8)
Water Pollution Control Administration.....	9.5	15.4	35.6	.....	.....	10.0
Welfare Administration and other.....	30.0	37.1	43.3	.....	.....	.....
<b>Total, Department of Health, Education, and Welfare.....</b>	<b>655.1</b>	<b>907.1</b>	<b>1,048.3</b>	<b>51.6</b>	<b>73.1</b>	<b>94.3</b>
<b>Department of the Interior:</b>						
Geological Survey.....	24.0	24.7	25.6	.1	.6	.2
Bureau of Mines.....	24.0	24.5	26.3	.1	.6	1.9
Bureau of Commercial Fisheries.....	19.4	22.3	23.5	5.9	6.0	2.5
Office of Saline Water.....	10.7	12.0	15.1	.8	4.3	7.2
Other.....	25.9	35.1	35.8	3.7	6.9	8.7
<b>Total, Department of the Interior.....</b>	<b>104.0</b>	<b>118.6</b>	<b>126.3</b>	<b>10.6</b>	<b>18.4</b>	<b>20.5</b>
Atomic Energy Commission.....	1,240.7	1,256.1	1,269.6	279.4	260.8	241.9
Federal Aviation Agency.....	93.2	125.0	155.1	6.1	2.1	2.3
National Aeronautics and Space Administration.....	4,555.0	5,097.0	4,993.0	537.9	503.0	307.0
National Science Foundation.....	146.8	177.7	226.2	48.4	58.4	56.8
Office of Economic Opportunity.....	4.2	55.9	55.9	.....	.....	.....
Veterans Administration.....	36.6	42.2	42.6	6.0	8.2	6.8
Other.....	42.8	54.4	69.2	3.6	11.5	.7
<b>Total, research and development.....</b>	<b>13,752.8</b>	<b>14,906.2</b>	<b>15,098.5</b>	<b>1,077.6</b>	<b>1,054.3</b>	<b>841.0</b>

## SPECIAL ANALYSIS J

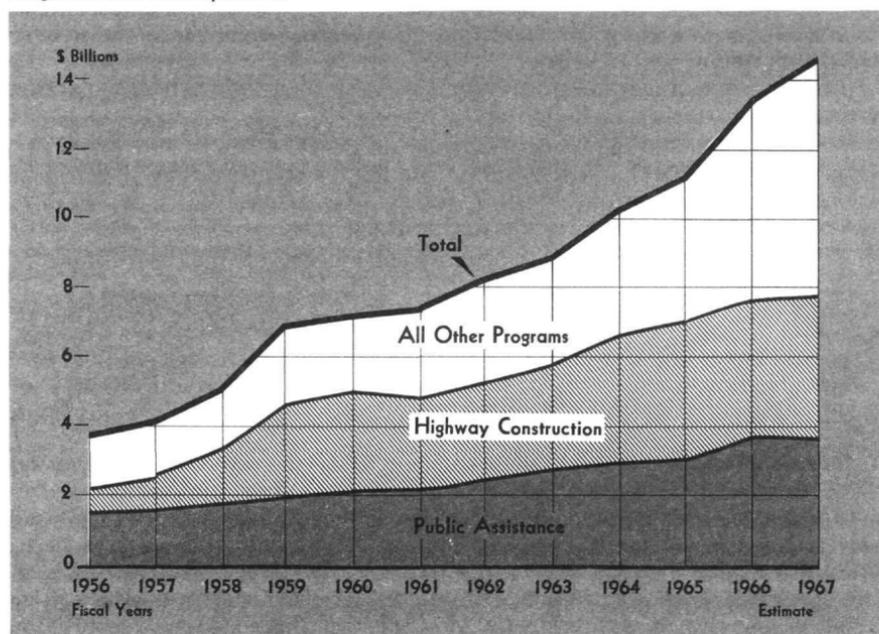
### FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Federal aid to State and local governments in recent decades has become a major factor in the cooperative financing of essential government functions. The rudiments of the present system date back more than 100 years to the enactment in 1862 of the Morrill Act. This act established land-grant colleges and instituted certain federally required minimum standards which are characteristic of the present grant-in-aid system. Federal aid was later initiated for agriculture, highways, vocational education and rehabilitation, forestry, and public health. In the depression years, Federal aid was extended to meet economic security and other social welfare needs. More recently, significant efforts have been made to broaden elementary, secondary, and higher educational opportunities; to develop economically depressed areas of the Nation; to help finance health services and medical care for the indigent; and to launch a concerted attack on poverty.

Special efforts are being made to coordinate and further improve the various Federal aid programs in 1967. The proposed Intergovernmental Cooperation Act, already before the Congress, would improve the administration and facilitate congressional review of Federal grants-in-aid. It would also provide a means for coordinating intergovernmental policy in the administration of grants for urban development.

### Federal Aid to State and Local Governments

*Budget and Trust Fund Expenditures*



*The growth of Federal aid programs.*—In 10 years, total Federal aid to State and local governments will have more than tripled, rising from \$4.1 billion in 1957 to an estimated \$14.6 billion in 1967. In relation to total Federal cash payments, Federal aid will have doubled. In the same period, expenditures by State and local governments from their own funds also will have doubled.

Although the number and variety of Federal aid programs have increased markedly in the last several decades, about 53 percent of total expenditures in 1967 for assistance to State and local governments will be for two major programs—highway construction and public assistance grants. In the decade ending in 1967, highway construction grants will have increased more than fourfold, rising from \$955 million in 1957 to an estimated \$4.1 billion in 1967, the largest increase in Federal aid for any single grant program during this period. Grants for public assistance will have more than doubled since 1957, increasing from \$1.6 billion to an estimated \$3.6 billion in 1967.

Increasing population and rapid urbanization have led to greater responsibility, particularly at the State and local level, for providing essential public services in education, health, housing, urban renewal, highways, and public transportation. Continuing economic change has stimulated programs for safeguarding the economic security of individuals. While the major burden of such public services rests with the approximately 90,000 State and local governmental jurisdictions, the Federal Government plays a vital role, both through direct operation of programs and by providing financial assistance to State and local governments. Furthermore, by encouraging a sound and growing economy, the Federal Government helps State and local governments indirectly by promoting a growing tax base.

*Major program changes for 1967.*—In 1967, total expenditures under existing and proposed programs for financial assistance to other levels of government will increase substantially. The total is estimated to be \$1.3 billion more than for 1966 and \$3.5 billion more than the actual total for 1965.

The major increases in grants for 1967 over the 1966 estimates are as follows:

- Educational assistance programs are estimated to rise by \$728 million to a total of \$1.9 billion, largely reflecting new legislation enacted by the 88th and 89th Congresses for elementary, secondary, vocational, and higher education and for libraries.
- Economic opportunity programs will increase by \$268 million to an estimated \$1.1 billion.
- Grants for housing and community development are up by an estimated \$189 million (27.5%) over 1966, as programs to assist in solving urban slum, growth, and transit problems are intensified.

Smaller increases will occur in the food stamp program (\$41 million) and in grants for vocational rehabilitation (\$91 million).

Significant decreases in expenditures in 1967 are expected to occur in: (1) accelerated public works (\$117 million), as most projects are now completed; (2) college housing loans (\$295 million), reflecting proposed sales of shares in pools of these loans; (3) educational assistance to federally affected areas (\$90 million), as a result of recent studies of this program, and the impact of the large new Federal programs which meet many of the same needs; and (4) medical assistance for the aged (\$75 million), reflecting the effect of medical health insurance programs.

Table J-1. FEDERAL AID BUDGET AND TRUST FUND EXPENDITURES BY AGENCY (in millions of dollars)

Agency	1965 actual	1966 estimate	1967 estimate
Executive Office of the President.....	0.6	1.2	1.1
Funds appropriated to the President:			
Economic opportunity programs.....	115.0	821.9	1,089.8
Other.....	331.7	279.2	50.4
Department of Agriculture.....	924.8	1,024.5	884.0
Department of Commerce.....	4,034.7	4,037.9	4,255.2
Department of Defense—Military.....	32.7	32.0	37.7
Department of Defense—Civil.....	16.9	21.2	22.5
Department of Health, Education, and Welfare.....	4,210.6	5,341.6	6,639.0
Department of Housing and Urban Development.....	693.8	783.9	594.5
Department of the Interior.....	138.1	202.9	238.8
Department of Justice.....		4.4	10.0
Department of Labor.....	415.8	533.2	558.2
Department of State.....	4.4	5.1	5.4
Treasury Department.....	60.2	61.6	64.1
Federal Aviation Agency.....	70.6	65.0	60.0
General Services Administration.....	1.9	.7	
Veterans Administration.....	8.1	9.4	8.7
Other independent offices.....	9.4	12.3	19.3
District of Columbia <sup>1</sup> .....	58.0	61.7	108.0
Total, budget and trust fund expenditures for Federal aid.....	11,127.4	13,299.8	14,646.7

<sup>1</sup> Represents Federal payments and loans to the District of Columbia for operations and capital improvements.

*Federal aid programs by function and agency.*—In 1967, Federal aid for health, labor, and welfare activities will amount to \$6.6 billion, 45% of the total. Of this amount, \$4.6 billion will be for programs administered by the Department of Health, Education, and Welfare. About 30% of total Federal aid, or \$4.3 billion, will be spent for commerce and transportation activities of which highway construction under the Department of Commerce will account for \$4.1 billion. Most of the remaining 25% will be distributed between education (13%) and housing and community development (6%). The detailed table at the end of this analysis lists the various programs of Federal aid to State and local governments by function, type of aid, agency, and major program groups.

To place the composition of current Federal aid payments in perspective, table J-2 displays a similar distribution of aid by major function for earlier years. In 1955, prior to the advent of the expanded Federal-aid highway program, nearly three-fifths of total payments were made for health, labor, and welfare programs. Public assistance payments alone accounted for nearly one-half of the total. Commerce and transportation activities comprised one-fifth, and agriculture and education, combined, formed another 16% of total aid payments.

The Federal-aid Highway Act of 1956 significantly altered the pattern of aid to State and local governments. By 1960, with the infusion of more than \$2¼ billion in additional funds for highway grants, commerce and transportation programs moved to the ascendant position in Federal assistance activities. While all of the other functional categories shown in the table grew in *absolute* amount, only housing and community development also grew faster than total aid.

Table J-2. PERCENTAGE DISTRIBUTION OF FEDERAL AIDS TO STATE AND LOCAL GOVERNMENTS BY FUNCTION

Function	1955 actual	1960 actual	1965 actual	1967 estimate
Agriculture and agricultural resources.....	8	3	5	3
Natural resources.....	3	2	2	2
Commerce and transportation.....	19	42	39	30
Housing and community development.....	1	4	6	6
Health, labor, and welfare.....	59	41	40	45
Education.....	8	7	6	13
Other.....	3	1	1	1
Total.....	100	100	100	100

In more recent years, both the nature and number of aid programs have changed appreciably in response to the needs of State and local governments. There have been a number of new programs enacted in the last 3 years, aimed primarily at broadening the scope of individual opportunity and development. The cumulative effect of these programs has been to place the principal emphasis of Federal aid once again on health, labor, and welfare activities—as well as to give added impetus to education and housing and community development efforts. In 1967, education and health, labor, and welfare programs will account for 58% of estimated total aid payments. Like the earlier periods, nearly all the functional categories will have increased in absolute amount. Between 1965 and 1967, education aid is estimated to increase by \$1.2 billion, while health, labor, and welfare payments will rise by about \$2.1 billion. Together, these two categories account for over 94% of the estimated total increase in aid payments between 1965 and 1967.

Table J-3. FEDERAL AID EXPENDITURES IN RELATION TO TOTAL FEDERAL EXPENDITURES AND TO STATE-LOCAL REVENUE

	Total expenditures for aid to State and local governments, budget and trust accounts		
	Amount (millions)	As a percent of total cash payments to the public	As a percent of State-local revenue <sup>1</sup>
1955.....	\$3,124	4	11
1956.....	3,753	5	12
1957.....	4,111	5	11
1958.....	5,072	6	12
1959.....	6,813	7	15
1960.....	7,174	8	14
1961.....	7,283	7	13
1962.....	8,167	8	14
1963.....	8,818	8	14
1964.....	10,314	9	15
1965.....	11,127	9	15
1966 estimate.....	13,300	10	(2)
1967 estimate.....	14,647	10	(2)

<sup>1</sup> Based on compilations published by Governments Division, Bureau of the Census. Excludes State-local revenue from publicly operated utilities, liquor stores, and insurance trust systems.

<sup>2</sup> Not available.

*Federal aid in relation to total Federal and State-local outlays.*—Total financial aid from budget and trust accounts of \$14.6 billion will represent about 10% of estimated total Federal cash payments to the public, the same percentage as in 1966. As a source of State and local revenue, Federal aid payments from both trust fund and budget accounts in 1965 were an estimated 15% of all general revenue available to these jurisdictions.

*Types of Federal aid.*—Federal financial assistance to State and local governments takes the form of direct grants-in-aid, shared revenue, and net loans and repayable advances. Grants to States and localities are the most significant type of Federal aid. In 1967, it is estimated that \$14.6 billion or 99.3% of total expenditures for all three types of aid will take the form of grants-in-aid. Shared revenue will account for \$202 million, or 1.4%, and net loans and repayable advances will have a net repayment of \$106 million, due mainly to proposed sales of pools of these loans. Apart from these types of Federal aid, many other Federal expenditures which are not included in this analysis, such as contractual payments or grants to public institutions for research and training in special fields, affect the finances of State and local governments.

Table J-4. TYPES OF FEDERAL AID BY FUNCTION, 1967 (in millions of dollars)

Function	Grants-in-aid	Shared revenues	Net loans and repayable advances	Total aids
National defense.....	38.8			38.8
International affairs and finance.....	5.2			5.2
Agriculture and agricultural resources.....	428.1		2.6	430.7
Natural resources.....	193.1	130.0	19.4	342.5
Commerce and transportation.....	4,308.0		15.5	4,323.5
Housing and community development.....	877.6		28.3	905.9
Health, labor, and welfare.....	6,615.0			6,615.0
Education.....	2,033.0		-176.7	1,856.3
Veterans benefits and services.....	8.7			8.7
General government.....	43.0	72.1	5.1	120.2
Total.....	14,550.4	202.1	-105.8	14,646.7

*Types of grant-in-aid formulas.*—Before the 1930's, Federal grants were apportioned among the States either as a flat sum per State or on the basis of relative State population. With the growth in the number and variety of grants, the methods of allocating the funds have undergone considerable change. A major feature of this change since World War II has been the increased use of fiscal equalization provisions. Before the war, Federal grants went in largest proportion to the States with greater resources. More recently, many of the grant programs have taken some account of variations among States in relative fiscal capacity. In fact, several of the new grant programs enacted during the past 3 years use a "fiscal capacity" index.

Most present Federal grant programs have two distinct but coordinate provisions to determine State shares of grant funds. The first is an apportionment formula which specifies the proportion of

Federal grant funds for which each State is eligible. The second provision, a matching formula, specifies to what extent a participating State must share in the costs of the program.

Apportionment formulas vary considerably, but most often incorporate one or more of the criteria embraced by the so-called PFN formula: Population, Financial ability, and Need for the program.

- *Program need* is usually measured by the total population or the relevant population group.

- *Financial ability* is typically measured by relative per capita income. This is the case, for example, in grants for school lunches.

Matching requirements—requiring States to share in program costs—are common elements of most grants. The matching or cost-sharing requirements are of two kinds: variable matching, which takes account of the differing abilities of the States to support their aided functions; and fixed ratio matching under which each State is required to share in the same proportion of program cost.

The forthcoming Annual Report of the Secretary of the Treasury for 1965 (table 85, part A) provides more detailed information concerning the actual 1965 grants-in-aid and shared revenues. Among other things, it will show the expenditures made in each State under the various aid programs.

Table J-5. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS  
(in millions of dollars)

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>BUDGET AND TRUST ACCOUNTS <sup>1</sup></b>				
<b>Grants-in-aid and shared revenue <sup>2</sup></b>				
<b>National defense:</b>				
Executive Office of the President:				
Office of Emergency Planning—Federal contributions to State and local planning .....	059	0.6	1.2	1.1
Department of Defense—Military:				
Civil defense shelters and financial assistance .....	051	21.6	24.0	29.0
Construction of Army National Guard centers .....	051	11.1	8.0	8.7
<b>Total, national defense .....</b>		<b>33.3</b>	<b>33.2</b>	<b>38.8</b>
<b>International affairs and finance:</b>				
Department of State: East-West Cultural and Technical Interchange Center .....	153	4.4	4.8	5.2
<b>Agriculture and agricultural resources:</b>				
Department of Agriculture:				
Commodity Credit Corporation and Consumer and Marketing Service:				
Removal of surplus agricultural commodities and value of commodities donated .....	351	387.2	368.7	264.1
Rural water and waste disposal facilities .....	352		20.0	21.0
Rural housing for domestic farm labor .....	352		3.0	3.0
Resource conservation and development .....	354	.2	1.5	2.2
Agricultural Research Service: Grants for basic scientific research .....				
	355	.3	1.7	1.6
Agricultural experiment stations .....	355	45.4	56.8	46.4
Cooperative agricultural extension service .....	355	81.9	86.9	87.2

See footnotes at end of table.

Table J-5. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS  
(in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>BUDGET AND TRUST ACCOUNTS</b> <sup>1</sup> —Continued				
<b>Grants-in-aid and shared revenue</b> <sup>2</sup> —Continued				
<b>Agriculture and agricultural resources</b> —Continued				
Department of Agriculture—Continued				
Payments to States, territories, and possessions, Consumer and Marketing Service.....	355	1.5	1.8	1.8
Commodity Credit Corporation: Grants for research.....	355	1.1	1.0	.8
<b>Total, agriculture and agricultural resources</b> .....		<b>517.6</b>	<b>541.3</b>	<b>428.1</b>
<b>Natural resources:</b>				
Department of Agriculture:				
Watershed protection and flood prevention.....	401	58.3	61.0	65.6
Grants for forest protection, utilization, and basic scientific research.....	402	15.4	16.1	15.8
National forest and grassland funds; payments to States and counties (shared revenue).....	402	33.5	36.2	37.5
Department of Defense—Civil: Corps of Engineers:				
Payment to California, flood control.....	401	11.9	18.3	20.7
Payments to States, Flood Control Act of 1954 (shared revenue).....	401	1.7	2.0	1.8
Department of the Interior:				
Payments to States and counties from grazing receipts, grasslands, and sales of public lands (shared revenue).....	401	.9	1.1	1.1
Bureau of Indian Affairs: Resources management.....	401	.8	.8	.8
Bureau of Reclamation:				
Grants.....	401		.1	
Payments to Klamath area, Arizona and Nevada (shared revenue).....	401	.8	.6	.7
Office of Water Resources Research.....	401		6.1	6.2
Payments from grant lands: Oregon, California, and Coos and Douglas Counties (shared revenue).....	402	21.4	20.9	22.3
Mineral Leasing Act payments (shared revenue).....	403	47.4	48.0	53.3
Bureau of Mines: Mine drainage, solid waste disposal, and Appalachian mining area restoration.....	403	.4	.6	14.0
Aid for commercial fisheries.....	404		2.3	2.8
Payment to Alaska from Pribilof Island fund (shared revenue).....	404	1.0		.2
Fish and wildlife restoration and management.....	404	20.2	20.0	19.4
Wildlife refuge fund and grasslands payments (shared revenue).....	404	.4	1.1	1.5
Land and water conservation grants.....	405	.1	37.8	45.6
Department of State: Pacific Halibut Commission.....	404		.3	.2
Federal Power Commission: Payments to States (shared revenue).....	401	.1	.1	.1
Tennessee Valley Authority: Payments in lieu of taxes (shared revenue).....	401	9.0	10.2	11.5
Water Resources Council.....	401			2.0
<b>Total, natural resources</b> .....		<b>223.3</b>	<b>283.6</b>	<b>323.1</b>
Grants-in-aid.....		(107.1)	(163.5)	(193.1)
Shared revenue.....		(116.2)	(120.1)	(130.0)

See footnotes at end of table.

Table J-5. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS  
(in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>BUDGET AND TRUST ACCOUNTS</b> <sup>1</sup> —Continued				
<b>Grants-in-aid and shared revenue</b> <sup>2</sup> —Continued				
<b>Commerce and transportation:</b>				
Funds appropriated to the President: Public works acceleration.....	507	288.4	124.9	8.1
Department of Commerce:				
State marine schools.....	502	.6	.6	.6
Forest and public lands highways.....	503	38.1	42.0	( <sup>3</sup> )
Highway beautification and control of advertising.....	503	.1	12.8	<sup>3</sup> .1
Appalachian development highway system.....	503	*	19.6	101.1
Federal aid highway program (highway trust fund).....	503	3,979.5	3,923.1	<sup>3</sup> 4,027.7
Improvement of weights, measures, and technology.....	506	.1	5	6
Office of State Technical Services.....	506	-----	2.0	5.6
Office of Appalachian Assistance: Special grants and research.....	507	-----	4.8	19.5
Economic Development Administration grants.....	507	-----	9.0	72.6
Area redevelopment assistance.....	507	8.4	6.0	6.0
Regional economic planning.....	507	-----	2.0	5.5
Appalachian Regional Commission:				
Administrative budget.....	507	*	.1	.1
Other (trust fund).....	507	-----	.1	.1
Federal Aviation Agency: Federal aid airport program.....	501	70.6	65.0	60.0
Small Business Administration: Research and management counseling.....	506	.2	*	-----
<b>Total, commerce and transportation</b> .....		<b>4,386.0</b>	<b>4,212.5</b>	<b>4,308.0</b>
Grants-in-aid, administrative budget.....		(406.5)	(289.4)	(280.2)
Grants-in-aid, trust fund.....		(3,979.5)	(3,923.2)	(4,027.8)
<b>Housing and community development:</b>				
Department of Housing and Urban Development:				
Low-income housing demonstration program.....	551	1.3	2.0	1.9
Low-rent public housing program.....	552	206.3	236.3	253.6
Urban planning grants.....	553	16.6	20.0	22.0
Open space land and urban beautification.....	553	5.9	17.5	29.1
Grants for basic water and sewer facilities.....	553	-----	1.2	50.8
Grants for neighborhood facilities.....	553	-----	1.2	12.5
Demonstration city grants.....	553	-----	-----	5.0
Urban renewal.....	553	280.6	329.5	373.5
Urban transportation assistance.....	553	11.1	31.9	65.0
Other aids for urban renewal and community facilities.....	553	-----	-----	2.4
District of Columbia: Federal payment.....	555	37.5	48.7	61.9
<b>Total, housing and community development</b> .....		<b>559.2</b>	<b>688.4</b>	<b>877.6</b>
<b>Health, labor, and welfare:</b>				
Funds appropriated to the President:				
Disaster relief.....	659	42.8	149.8	42.3
Office of Economic Opportunity:				
Community action programs:				
Head Start.....	655	5.0	147.0	255.0
Other.....	655	41.1	280.1	389.1
Neighborhood Youth Corps.....	655	44.3	221.0	247.0
Work experience.....	655	20.2	130.2	138.7
Other.....	655	4.4	43.6	60.0
Department of Agriculture:				
Special milk and school lunch.....	659	263.0	272.3	202.3
Food stamp.....	659	31.8	85.4	126.5

See footnotes at end of table.

Table J-5. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS  
(in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>BUDGET AND TRUST ACCOUNTS</b> <sup>1</sup> —Continued				
<b>Grants-in-aid and shared revenue</b> <sup>2</sup> —Continued				
<b>Health, labor, and welfare</b> —Continued				
Department of Health, Education, and Welfare:				
Community health—hospital construction	651	193.3	196.6	221.1
(Portion to private, nonprofit institutions)	651	(124.9)	(131.6)	(146.1)
Other community health activities	651	63.2	93.3	140.0
Environmental health	651	4.9	7.6	10.5
Medical services: Hospitals and medical care, Hawaii; and Indian health facilities	651	1.2	1.2	1.2
National Institutes of Health:				
Operation, support, and improvement grants, mental health	651	11.1	26.3	46.8
Construction of community mental health centers	651		1.6	25.0
Construction of health research facilities	651	1.9	3.6	1.5
Regional medical programs	651		5.0	35.0
Grants for waste treatment works and water pollution control	651	75.0	84.9	107.0
Maternal and child welfare	651	97.5	121.0	146.1
Medical care for the aged (public assistance)	651	272.2	364.1	288.8
Public assistance (exclusive of medical care for the aged)	653	2,787.2	3,240.8	3,306.2
Vocational rehabilitation	659	101.5	168.6	259.8
Administration on Aging	659	*	3.0	6.0
Department of Labor:				
Manpower development and training activities	652	22.5	82.8	57.6
Grants to States for administration of employment security programs (trust fund)	652	393.3	450.4	500.6
Equal Opportunity Commission	652			.9
<b>Total, health, labor, and welfare</b>		<b>4,477.4</b>	<b>6,180.0</b>	<b>6,615.0</b>
Grants-in-aid, administrative budget		(4,084.2)	(5,729.6)	(6,114.3)
Grants-in-aid, trust fund		(393.3)	(450.4)	(500.6)
<b>Education:</b>				
Department of Health, Education, and Welfare:				
Assistance to schools in federally affected areas	701	340.6	342.0	252.0
Elementary and secondary educational activities	701		295.0	1,200.0
Defense educational activities:				
Assistance to elementary and secondary education	701	67.4	80.0	77.5
Educational statistics program	704	13.3	2.0	2.0
Higher education facilities construction	702	1.3	53.0	164.6
Higher education activities	702		7.0	32.0
Assistance to land-grant colleges	702	14.5	14.5	2.6
Vocational education	704	131.5	172.0	204.1
Arts and humanities educational activities	704		.2	.5
Grants for library services and construction	704	26.1	35.0	51.1
Training teachers of the handicapped	704	3.1	3.4	4.6
Community services and National Teacher Corps	704			15.0
Civil rights educational activities	704		1.5	2.9
Teaching of the blind	704	.8	.9	1.0
Educational television facilities	704	2.9	7.7	7.7
Department of the Interior: Bureau of Indian Affairs:				
Education and welfare services	704	8.0	10.0	11.6

See footnotes at end of table.

Table J-5. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS  
(in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>BUDGET AND TRUST ACCOUNTS</b> <sup>1</sup> —Continued				
<b>Grants-in-aid and shared revenue</b> <sup>2</sup> —Continued				
<b>Education</b> —Continued				
National Foundation on the Arts and Humanities:				
Administrative budget	704			2.0
Other (trust fund)	704		1.0	2.0
<b>Total, education</b>		<b>610.3</b>	<b>1,025.2</b>	<b>2,033.0</b>
Grants-in-aid, administrative budget		(610.3)	(1,024.2)	(2,031.0)
Grants-in-aid, trust fund			(1.0)	(2.0)
<b>Veterans benefits and services:</b>				
Veterans Administration:				
Aid to State homes	804	7.7	8.7	7.7
Grants for construction of State nursing homes	804		.5	.9
Administrative expenses	805	.4	.2	.1
<b>Total, veterans benefits and services</b>		<b>8.1</b>	<b>9.4</b>	<b>8.7</b>
<b>General government:</b>				
Funds appropriated to the President: Transitional grants to Alaska				
	910	.5	4.6	
Department of the Interior:				
Grants to territories				
Internal revenue collections, Virgin Islands (shared revenue)	910	13.4	26.0	32.4
Department of Justice: Law enforcement assistance	908	8.3	10.4	8.0
Treasury Department:				
Tax collections for Puerto Rico (shared revenue)				
Bureau of Customs: Refunds, transfers and expenses of operation, Puerto Rico and the Virgin Islands (trust fund shared revenue)	910	42.9	43.0	45.0
General Services Administration: Hospital facilities in the District of Columbia	904	17.2	18.6	19.1
President's Crime Commissions	905	1.9	.7	
	908		.8	.7
<b>Total, general government</b>		<b>84.2</b>	<b>108.6</b>	<b>115.1</b>
Grants-in-aid, administrative budget		(15.8)	(36.6)	(43.0)
Shared revenue, administrative budget		(51.3)	(53.4)	(53.0)
Shared revenue, trust fund		(17.2)	(18.6)	(19.1)
<b>Total grants-in-aid and shared revenue</b>		<b>10,903.9</b>	<b>13,087.0</b>	<b>14,752.5</b>
<b>Loans and repayable advances (net)</b>				
<b>Agriculture and agricultural resources:</b>				
Department of Agriculture:				
Rural renewal	352	.7	1.8	1.0
Resource conservation and development	354	.1	.8	1.6
<b>Total agriculture and agricultural resources</b>		<b>.8</b>	<b>2.6</b>	<b>2.6</b>

See footnotes at end of table.

Table J-5. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS  
(in millions of dollars)—Continued

Agency and program	Functional code	1965 actual	1966 estimate	1967 estimate
<b>BUDGET AND TRUST ACCOUNTS</b> <sup>1</sup> —Continued				
<b>Loans and repayable advances (net)</b> —Continued				
<b>Natural resources:</b>				
Department of Agriculture: Watershed protection and flood prevention.....	401	4.4	9.6	5.6
Department of the Interior: Irrigation projects.....	401	12.0	14.7	13.9
<b>Total, natural resources</b> .....		<b>16.5</b>	<b>24.3</b>	<b>19.4</b>
<b>Commerce and transportation:</b>				
Department of Commerce: Area redevelopment.....	507	7.9	15.4	15.5
<b>Housing and community development:</b>				
Department of Housing and Urban Development:				
Liquidating programs: Community facilities loans.....	551	— .4	—3.1	— .5
Low rent public housing program.....	552	11.3	— .5	( <sup>4</sup> )
Public facilities.....	553	38.1	22.5	—52.5
Public works planning.....	553	7.9	7.9	9.9
Urban renewal fund.....	553	46.7	18.5	22.5
Urban transit fund.....	553	— 2	5.8	2.8
District of Columbia: Capital outlays and operations.....	555	20.5	13.0	46.1
<b>Total, housing and community development</b> .....		<b>123.9</b>	<b>64.1</b>	<b>28.3</b>
<b>Education:</b>				
Department of Health, Education, and Welfare:				
Higher education facilities.....	702		9.4	26.0
Expansion and improvement of vocational education.....	704		.6	.7
Department of Housing and Urban Development:				
College housing.....	702	68.7	93.1	—201.6
Government mortgage liquidation.....	702			—1.8
<b>Total, education</b> .....		<b>68.7</b>	<b>103.1</b>	<b>—176.7</b>
<b>General government:</b>				
Department of Defense—Civil: Corps of Engineers:				
Construction of power systems, Ryukyu Islands.....	910	3.3	.9	-----
Department of the Interior: Administration of territories.....	910	2.4	2.3	5.1
<b>Total, general government</b> .....		<b>5.6</b>	<b>3.2</b>	<b>5.1</b>
<b>Total, loans and repayable advances</b> .....		<b>283.4</b>	<b>212.7</b>	<b>—105.8</b>
Total grants-in-aid, administrative budget.....		6,346.4	8,520.3	10,020.1
Total grants-in-aid, trust funds.....		4,372.8	4,374.6	4,530.4
Total shared revenue, administrative budget.....		167.5	173.5	183.0
Total shared revenue, trust funds.....		17.2	18.6	19.1
Total loans and repayable advances (net).....		223.4	212.7	—105.8
<b>Total Federal aid</b> .....		<b>11,127.4</b>	<b>13,299.8</b>	<b>14,646.7</b>

Note—Detail will not necessarily add to totals because of rounding.

<sup>1</sup> Less than \$0.05 million.

<sup>2</sup> Budget accounts unless otherwise specified. Many expenditures listed here are parts of larger appropriation accounts or trust accounts.

<sup>3</sup> Grants-in-aid unless otherwise specified.

<sup>4</sup> Reflects proposed transfer of forest and public lands highways and the highway beautification program to the highway trust fund.

<sup>5</sup> Net repayments of less than \$0.05 million.

## SPECIAL ANALYSIS K

### PRINCIPAL FEDERAL STATISTICAL PROGRAMS

This analysis summarizes the principal statistical programs of the Federal Government in the 1967 budget. The programs are presented in two categories: Current and periodic. Fiscal 1967 recommendations for current programs, reflecting continuing year-to-year statistical activity in the various agencies, provide for a total of \$121.6 million. Recommendations for periodic programs—the large-scale census-type surveys characteristically taken once or twice a decade—amount to \$13.3 million in obligations for 1967.

Objectives of these programs are to provide accurate, comprehensive, and timely data that are required for operations and policy decisions of the Government, and that furnish the public with information about the functioning of the economy and welfare of the people. The functions of collecting, processing, and analyzing current general-purpose statistical information are often closely related to other agency objectives. To indicate the interrelationships of the statistical programs carried out by different agencies and to aid in evaluating the Government's overall statistical system, the significant components of current Federal statistical activity are brought together and classified by broad subject areas in this special analysis. These areas and the amounts involved for the current program are summarized in table K-1. Information by agencies for both the current and periodic programs is shown in table K-2.

The current statistical programs represent the entire programs of some agencies but only that portion of the programs of other agencies constituting general-purpose statistical activity. This year's presentation reflects two important changes: The inclusion of funds for the statistical work of the Office of Economic Opportunity and a substantial increase in the research and statistical activities of the National Center for Educational Statistics as a result of a reorganization and reassignment of functions not previously included.

A brief description of the major program changes is shown below by broad subject areas. The agencies which contribute to each subject area are shown in table K-1. Adjustments made for savings resulting from increased productivity and for additional amounts required for increased pay costs are not itemized in descriptive statements but are reflected in the totals.

#### LABOR STATISTICS

*Manpower and employment data.*—Following several years of planning and testing, the Bureau of Labor Statistics plans to initiate surveys during 1967 which would provide current estimates of employment by occupation within industries. About 125 occupations have been identified as those requiring substantial periods of training, those subject to rapid change, or critical to defense or national welfare. Information is already available on some half of these occupations

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

Program	1965 actual	1966 estimate	1967 estimate
Labor statistics (Departments of Agriculture, Interior, and Labor; National Science Foundation).....	23.6	26.2	29.8
Demographic and social statistics (Departments of Agriculture, Commerce, and Health, Education, and Welfare; National Science Foundation; Office of Economic Opportunity).....	18.3	24.9	34.7
Prices and price indexes (Departments of Agriculture, Commerce, and Labor).....	5.7	5.7	5.9
Production and distribution statistics (Departments of Agriculture, Commerce, Defense, and Interior; Civil Aeronautics Board; Interstate Commerce Commission).....	35.0	37.1	37.6
Construction and housing statistics (Departments of Commerce and Housing and Urban Development; Federal Home Loan Bank Board).....	3.1	3.9	3.9
National income and business financial accounts (Departments of Agriculture, Commerce, and Treasury; Securities and Exchange Commission; Federal Trade Commission).....	9.9	9.2	9.7
Total, principal current programs.....	95.6	107.0	121.6

from existing sources. In order to provide current annual estimates of employment by occupation and to develop information on the changing occupational composition of major industries, a series of industry surveys (\$190,000) would be undertaken for the remaining occupations. It will be 3 years or more before the program is in full operation and information available on the full list of 125 occupations.

Funds (\$120,000) are recommended for the Bureau of Labor Statistics to support a program of manpower research in depth which would subject existing data to more fundamental analysis in order to study and understand better the problems of accelerating economic growth, reducing unemployment, and assuring a better balance of manpower resources and requirements.

Funds are recommended (\$500,000) for the Statistical Reporting Service, Department of Agriculture, to strengthen the monthly estimates of employment of farmworkers—operators, hired workers, and unpaid family workers—and quarterly estimates of the wage rates paid hired farm labor. This program has been developed in response to the recommendations of the President's Committee To Appraise Employment and Unemployment Statistics (Gordon committee).

The Labor Department has been experimenting with a variety of methods for obtaining job vacancy information from nonagricultural employers. This experience indicates that collection of such data is feasible, although the exact procedures to be used depend on the results of further testing during 1966. Information on job vacancies would be used (1) for developing statistical series on current demand for labor, and (2) for the guidance of employment service operations, educational authorities, and others concerned with the training and placement of the labor supply in localities. With the funds recommended (\$2,500,000) quarterly estimates of job vacancies will be developed for large standard metropolitan statistical areas, and possibly for the States and the United States, showing information by occupation and the wage rates offered. This is a cooperative Bureau

of Employment Security, Bureau of Labor Statistics, and State employment security agency program.

*Wages and industrial relations.*—Funds are recommended (\$267,000) for an annual survey by the Bureau of Labor Statistics of salaries of a representative sample of occupations in States, county, and municipal governments. This survey will supplement the annual survey of professional, technical, and clerical occupations in private industry.

BLS has planned a regular collection of information on employer expenditures for fringe benefit payments to workers. Biennially, estimates would be prepared for the manufacturing and nonmanufacturing segments of the private economy, with separate detail for production and nonproduction workers. In alternate years, special studies would be made of specific industries having significant national interest. During 1966, a start was made on the specific industry studies. The additional funds for 1967 (\$308,000) would provide for the biennial surveys. In addition, an annual report would be made on the value of major collective bargaining settlements, including both the cost of wage increases and of changes in fringe benefits.

The annual survey by the Bureau of Labor Statistics of occupational wage rates in the machinery industries is being placed on a biennial basis to conserve funds (\$75,000) and reduce reporting burden.

*Productivity measurement.*—An amount of \$100,000 is included for the Bureau of Labor Statistics to increase the number of major industries for which separate productivity estimates are prepared. Bureau of Labor Statistics presently prepares estimates for 30 separate industries. Possibly five to seven industries would be included the first year of the expanded program, some in manufacturing and some in nonmanufacturing. The manufacturing estimates would be prepared from information now available, but the nonmanufacturing estimates may require the collection of additional data, for which planning would be done with the funds requested for 1967.

#### DEMOGRAPHIC AND SOCIAL STATISTICS

*Health and vital statistics.*—The 1967 budget for the National Center for Health Statistics includes a recommended increase of approximately \$900,000. This includes \$800,000 about equally divided between (1) a decennial revision in scope and design of the health interview survey which would support development of health data for States, metropolitan areas and other smaller areas and population groups, and for areas and people with particular health problems; and (2) surveys of the medical manpower and health facilities of the Nation to provide information needed in relation to the health insurance, medical assistance, and poverty programs. The recommendation also includes \$100,000 for printing and distributing standard birth, death, marriage, and divorce certificates to the States, for revised printing of the physicians handbook, and for necessary work to adapt the World Health Organization decennial revision of the international classification of diseases for use in the United States in indexing of hospital records and for classification of morbidity and mortality data.

*Population statistics.*—The Census Bureau is exploring the use of administrative records to improve current estimates of family income

and other population characteristics and to provide prompt, economical, and consistent estimates of population and family incomes for small areas such as counties and standard metropolitan statistical areas for intercensal years. Use of large-scale automatic data processing techniques is required. Funds (\$350,000) are recommended to extend this developmental program during 1967.

*Educational statistics.*—The reorganization of the Office of Education has provided for more centralization of both survey work and data processing in the National Center for Educational Statistics. The 1967 budget includes \$750,000 for expanding and improving both the regular statistical program and further development of the analytical model of the educational systems of the United States. The sum of \$2.9 million is included for developing a new program of collecting educational achievement data on a uniform nationwide basis for the purpose of assessing the quality of education, for the purchase of data to be collected as a supplement to the current population survey, and to initiate a survey of adult education and training for employment. Additional funds of \$500,000 are recommended to cover administrative costs of greatly increased functions and for machine tabulating and printing.

*Social security statistics.*—An increase of \$1 million is recommended for 1967 for an expansion of the research and statistics program. A major part of this increase is a result of the 1965 amendments to the Social Security Act which established a new program of hospital and supplementary medical insurance for the aged.

An additional increase of \$260,000, for the program of economic and social survey contracts, would provide funds for two major studies: The retirement history study, a longitudinal study following a sample of aged persons through a series of periodic interviews for about 10 years; and the study of beneficiaries in nursing homes and other long-stay institutions, a supplement to the national study of the disabled.

*Welfare statistics.*—Primary emphasis in 1967 will be on reassessment of the series of statistical reports required by the Bureau of Family Services from the State public welfare agencies, including methods of obtaining and processing data. Particular attention will be given to statistics related to new medical programs administered by the Welfare Administration and to increased use of sampling and computerized processing of data. The Welfare Administration will also conduct a nationwide study of family living conditions from a sample of open and closed AFDC (aid to families with dependent children) cases and families who applied for but did not receive assistance. This study will provide information on the demographic, social, and economic characteristics of these families; on the effects of specific eligibility requirements; and on living arrangements and housing conditions. The total recommended increase is \$900,000.

*Economic opportunity.*—In recognition of the substantial volume of statistical data required to support the antipoverty program of the Office of Economic Opportunity this activity appears for the first time in this analysis. While the major part of the data is obtained

from other agencies, there is need for statistics specifically directed toward securing analytical detail with respect to the low-income population and appraising the effectiveness of the program.

The increase in funds (\$2 million) for 1967 is for the purpose of planning, testing the feasibility, and for preparatory work in connection with prospective large-scale surveys which would both probe poverty in depth and be integrated with the 1970 censuses so that changes can be effectively measured.

#### PRICES AND PRICE INDEXES

An increase of \$75,000 is requested to expand research by the Bureau of Labor Statistics in the wholesale price area, principally for commodities entering into foreign trade. Slight reductions will be effected by elimination of the breakdown in the wholesale price index by stage of processing and by discontinuance of the weekly wholesale price index. Although weekly data on the small samples which had been used for the latter will no longer be collected weekly, data will be collected for the week falling in the middle of the month as an advance indicator of the monthly index.

An increase of \$125,000 was appropriated for 1966 for work by the Bureau of Labor Statistics on standard budgets for city workers' families. A further increase of the same amount is requested for 1967. This will provide for the compilation of current standard budgets for selected types and sizes of families at two levels of living—"minimum adequate" and "modest but adequate."

#### PRODUCTION AND DISTRIBUTION

The major program changes in this area are in activities of the Department of Agriculture. An amount of \$113,000 is requested to complete the long-range program for improving crop and livestock estimates by the Statistical Reporting Service. This repeats the 1966 budget request for this work. Recommended program increases for the Economic Research Service include \$650,000 for intensified research on rural economic development, with principal emphasis on depressed rural areas, and \$150,000 for economic analysis of water management and use problems in agriculture. These amounts are partially offset by increased productivity and by a \$200,000 decrease for a one-time study in 1966 of the away-from-home market for food. Changes are also planned in the content of present programs as a result of completion or cutbacks in individual research and analytical projects and the initiation or expansion of others.

The only change recommended in the program of the Bureau of the Census in this area would provide approximately \$70,000 to initiate an annual series on retail trade by merchandise lines similar to those on which data were obtained in the 1963 Census of Business.

#### CONSTRUCTION AND HOUSING

This area continues during 1967 at substantially the 1966 level. There will, however, be some change in content of the program as some projects are completed and others are initiated.

The Department of Housing and Urban Development will extend its program of statistical data on housing markets and costs. It

will also conduct studies of specific aspects of urban development, markets for specialized types of housing, and financing and cash-flow requirements of various types of construction enterprises.

The Bureau of the Census will continue during 1967 to institute improvements in its value of construction-put-in-place statistics. Extension of progress reporting on nonresidential construction to the Western States will become fully operational. Development of new construction patterns for 1-4 family residences, begun in 1966, will be completed and made operational in 1967.

#### NATIONAL INCOME AND BUSINESS FINANCIAL ACCOUNTS

The major changes proposed for this area are for work by the Office of Business Economics, as described below. In addition, a small increase (\$50,000) is recommended for the Economic Research Service for basic statistics and related research on farm income parity.

*National economic accounts.*—Program increases of \$400,000 are recommended for the Office of Business Economics to improve the balance-of-payments statistics, to expand the work on input-output, and to initiate a program for a comprehensive accounting of the Nation's capital stock.

Extensive improvements on balance-of-payments work, including those suggested by the Budget Bureau's Balance of Payments Review Committee (Bernstein) and by the congressional Joint Economic Committee, are required for adequate presentation of major types of international transactions and for analyses of balance-of-payments developments. This work includes particularly the establishment of an inventory of foreign investments. \$200,000 is recommended for this program.

The expansion of input-output work pertains mainly to the calculation of a 1963 table involving the expansion of industry detail to more than double the number of industries in the previous (1958) table. This is expected to provide a considerably more useful tool for market analysis and add flexibility to the use of input-output for general economic analysis. \$100,000 is requested for this work.

In connection with the program for measurement of national wealth, the Office of Business Economics will expand its work on the measurement of fixed business capital, business inventories, and consumer assets; and initiate measures of Government real wealth. Part of this program will involve construction of complete balance sheets for the Nation and the major sectors of the economy. The Office of Business Economics is also expected to provide guidance to the Census Bureau and other agencies collecting primary data pertaining to wealth. \$100,000 is requested for these activities.

#### PERIODIC PROGRAMS

In 1967, work on the 1963 Economic Censuses and the 1964 Census of Agriculture will be completed. The 1967 budget also provides for continuation of work on the preparation for the economic censuses and census of governments covering the calendar year 1967, for which the main task of data collection will be reflected in the 1968 budget.

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

Agency	1965 actual	1966 estimate	1967 estimate
<b>CURRENT PROGRAMS</b>			
Department of Agriculture:			
Economic Research Service.....	10.9	12.1	12.5
Statistical Reporting Service.....	11.9	12.4	12.9
Department of Commerce:			
Bureau of the Census.....	15.2	15.7	16.2
Office of Business Economics.....	2.3	2.5	3.0
Department of Defense: Corps of Engineers: Domestic shipping statistics.....	1.0	1.1	1.1
Department of Health, Education, and Welfare:			
National Center for Educational Statistics.....	2.1	3.5	7.6
National Center for Health Statistics.....	6.3	7.2	8.2
Social Security Administration: Statistical and research activities.....	4.6	5.9	7.3
Welfare Administration: Statistical and research activities.....	1.5	1.7	2.6
Department of Housing and Urban Development: Urban studies and housing research.....	.4	.8	.8
Department of the Interior: Bureau of Mines: Mineral statistics.....	2.4	2.7	2.6
Department of Labor:			
Bureau of Employment Security: Statistical activities.....	2.5	3.1	5.2
Bureau of Labor Statistics.....	18.5	20.0	20.8
Office of Manpower Policy, Evaluation, and Research: Statistical activities.....	3.7	4.0	4.1
Treasury Department: Internal Revenue Service: Statistical reporting.....	6.1	5.0	5.0
Civil Aeronautics Board: Statistical and research activities.....	.5	.6	.6
Federal Home Loan Bank Board: Statistical activities.....	.7	.8	.9
Federal Trade Commission: Financial statistics.....	.3	.3	.3
Interstate Commerce Commission: Reports and statistics.....	.9	.9	.9
National Science Foundation: Statistics and special analyses.....	3.5	4.0	4.2
Office of Economic Opportunity: Statistical and research activities.....		2.4	4.4
Securities and Exchange Commission: Operational and business statistics.....	.3	.3	.3
<b>Total, current programs.....</b>	<b>95.6</b>	<b>107.0</b>	<b>121.6</b>
<b>PERIODIC PROGRAMS</b>			
Department of Commerce: Bureau of the Census:			
1963 economic censuses.....	5.8	2.7	.1
1964 Census of Agriculture.....	15.5	5.8	1.8
1967 economic censuses.....		1.2	3.2
1967 Census of Governments.....		.2	1.4
Preparation for 19th Decennial Census.....	.9	2.3	3.2
Registration and voting statistics.....		1.2	
Modernization of computing equipment.....			2.0
Department of Agriculture: Statistical Reporting Service: Computer purchase and related costs.....		1.7	.5
Department of Health, Education, and Welfare: National Center for Health Statistics: Computer purchase and related costs.....			1.1
<b>Total, periodic programs.....</b>	<b>22.2</b>	<b>15.1</b>	<b>13.3</b>
<b>Total, principal statistical programs.....</b>	<b>117.8</b>	<b>122.1</b>	<b>134.9</b>

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*Preparation for 19th Decennial Census.*—Work will continue on establishing the basis for collecting a large part of the 19th Decennial Censuses of Population and Housing by mail. A computer-based geographic coding system will be developed to assign individual addresses to the geographic areas which must be identified in the census publications. Other planning work will include problems of census taking in hard-to-enumerate areas, questionnaire design under self-enumeration conditions, the development of statistical measures relating to the condition of housing and pilot testing of proposals for new or alternative census questions.

*Computers.*—All amounts recommended for the purchase of computer and related costs are contained in the periodic statistical program. Although some of this equipment is used to process current statistics their purchase is included under the periodic program since the amounts represent long-term capital investment and for analytical purposes the total cost should not be charged to the current statistical program.

## SPECIAL ANALYSIS L

### FOREIGN CURRENCY AVAILABILITIES AND USES

Many agencies of the Government are engaged in activities throughout the world which involve payments in foreign currencies. From some governmental activities, particularly the sale on concessional terms of surplus agricultural commodities, foreign currencies accrue to the Government without purchase with dollars. This analysis presents summary data on foreign currency availabilities and uses.

Most currencies accrue to the credit of the United States because of past or current international agreements authorized under several laws. These international agreements deal primarily with (1) sales of commodities (usually surplus agricultural commodities) to foreign purchasers for local currencies, or (2) loans of dollars or foreign currencies which may be repaid in the currency of the borrower. Currencies also become available in much smaller amounts under other kinds of international agreements and from the normal operations of the U.S. Government abroad.

A large part of the foreign currencies owned by the United States is committed by the terms of the international agreements under which they are received to be used on a loan or grant basis for mutually beneficial purposes in the country—these are called “country-use” currencies. The currencies which are available for the purposes of U.S. agencies are called “U.S. use” currencies.

The Federal Government has established a number of procedures to insure the maximum use of the foreign currencies which are available for U.S. purposes. Efficient use of these currencies is important not only as a matter of sound financial management but because of the need to improve the balance-of-payments position of the United States. Payments of U.S. obligations abroad in foreign currencies rather than in U.S. dollars decreases the balance-of-payments deficit.

It is useful for both administrative purposes and for analytical purposes to divide U.S. use foreign currencies into two categories:

*Excess currencies* are the currencies of countries for which the Treasury Department determines (after reviewing the availabilities and prospective uses) that the supply is great enough to more than cover our requirements for the next 2 or 3 years. For 1966, the excess currency countries are: Burma, Ceylon, Guinea, India, Israel, Pakistan, Poland, Tunisia, United Arab Republic (Egypt), and Yugoslavia. They are expected to remain excess-currency countries in 1967.

Separate appropriations for “special foreign currency programs” have been provided for several years. These appropriations finance programs which can make good use of excess currencies, and may include projects of lower priority than those financed through regular appropriations. The use of these appropriations results in an expenditure being reported for the using agency and a receipt for the Commodity Credit Corporation or other appropriate fund.

In addition, because of the increasing balances of these currencies, the 1967 budget proposes additional direct authorizations to spend

foreign currencies for seven agencies. These authorizations would permit more of the currencies excess to U.S. needs to be used to fund activities advantageous to the United States, including acquisition of physical assets. They differ from the special foreign currency program appropriations in two respects: first, they are stated in foreign currency units, while the appropriations are in U.S. dollars; and second, they do not affect expenditures or receipts.

*Nonexcess currencies* are those of all countries not designated as "excess." In many of these countries, our supply of currencies is far below our needs, and it is necessary to purchase currencies commercially to meet our requirements. In some of these countries, however, the supply of currencies available for U.S. programs is above our immediate needs, but not by a great enough amount for the country to be declared an excess currency country. Special efforts are made to use these "near-excess" currencies, rather than U.S. dollars, wherever possible, but it is not appropriate to seek additional uses for such currencies, and they are not available for use under the special appropriations or authorizations. The "near-excess" countries currently are: Brazil, Colombia, Congo (Léopoldville), Finland, Indonesia, Morocco, Sudan, Syria, Taiwan, Turkey, and Uruguay. No designation of anticipated "near-excess" countries for 1967 has been made, and the list is likely to change.

Total availabilities of foreign currencies owned by the United States (excluding small amounts held in trust) are as follows:

Table L-1. CASH AVAILABILITY OF FOREIGN CURRENCIES  
(In millions of dollar equivalents)

	1965 actual	1966 estimate	1967 estimate
For U.S. uses:			
Excess currencies.....	1,422	1,626	1,841
Nonexcess currencies.....	371	294	272
Subtotal, for U.S. uses.....	1,794	1,920	2,113
For country uses.....	2,508	2,311	2,193
Amounts unfunded in Treasury accounts.....		-9	-44
Total.....	4,302	4,222	4,261

*Need for foreign currencies.*—As indicated in table L-2, the need for foreign currencies in U.S. operations often does not correspond to their availability on a country-by-country basis. Although the United States will have over \$2 billion available for U.S. programs, less than \$300 million will be in nonexcess currencies and we must purchase almost \$1.9 billion of currencies to meet our total requirements. (These figures are based on projections of future collections and requirements; foreign currency transactions are subject to more fluctuation and are, in many cases, less predictable than U.S. dollar transactions.) In nonexcess currency countries a strong effort is made in the negotiation of commodity sales agreements to obtain the maximum amount possible for U.S. uses. Despite this, in the normal course of its worldwide operations, the Government must purchase

large amounts of many currencies while at the same time it is accumulating large inconvertible balances of others.

Table L-2. FOREIGN CURRENCY AVAILABLE TO MEET U.S. REQUIREMENTS, 1967 (in millions of dollar equivalents)

Country	Supply	Requirements (expenditures)		Amounts available for use after 1967	Requirements for commercial purchase in 1967
		Other than special programs	Special programs		
<b>Excess currencies:</b>					
Burma.....	26	1	2	23	
Ceylon.....	8	*	2	6	
Guinea.....	10	*	1	9	
India.....	840	4	36	799	
Israel.....	46	7	13	27	
Pakistan.....	175	7	9	159	
Poland.....	490	14	9	468	
Tunisia.....	9	1	3	6	
United Arab Republic (Egypt).....	134	6	8	120	
Yugoslavia.....	101	5	7	89	
<b>Total, excess currencies.....</b>	<b>1,841</b>	<b>45</b>	<b>90</b>	<b>1,706</b>	
<b>Nonexcess currencies:</b>					
Brazil <sup>1</sup> .....	21	11	1	9	
Canada.....	2	35			33
China (Taiwan) <sup>1</sup> .....	22	17	*	5	
Colombia <sup>1</sup> .....	4	4	*		*
Congo (Léopoldville) <sup>1</sup> .....	10	1		9	
Finland <sup>1</sup> .....	2	1	*	1	
France.....	7	157	*		150
Germany, Federal Republic of.....	12	977	*		964
Greece.....	13	14	*		1
Indonesia <sup>1</sup> .....	10	*	*	9	
Italy.....	8	66	*		58
Japan.....	30	196	*	25	191
Korea.....	14	47	*		34
Morocco <sup>1</sup> .....	18	3		15	
Philippines.....	2	39	*		37
Spain.....	7	64	1		58
Sudan <sup>1</sup> .....	4	2		2	
Syria <sup>1</sup> .....	*	2	*		2
Thailand.....	3	38	*		35
Turkey <sup>1</sup> .....	30	34	*		5
United Kingdom.....	6	73	2		70
Uruguay <sup>1</sup> .....	2	1	*	1	
Vietnam.....	8	93	*		85
Other countries.....	37	204	1	7	175
<b>Total, nonexcess currencies.....</b>	<b>272</b>	<b>2,080</b>	<b>6</b>	<b>84</b>	<b>1,898</b>
<b>Total.....</b>	<b>2,113</b>	<b>2,125</b>	<b>96</b>	<b>1,790</b>	<b>1,898</b>

<sup>1</sup> Less than \$½ million.

<sup>2</sup> Currently designated as "near-excess" currency countries, but this designation may not be effective in 1967.

*U.S. uses of foreign currencies.*—Table L-3 summarizes transactions of U.S. use foreign currencies. Disbursing officers are required to use currencies owned by the Government, if they are available, before purchasing currencies commercially.

Table L-3. SUMMARY OF FOREIGN CURRENCY TRANSACTIONS, U.S. USES

(In millions of dollar equivalents)

	1965 actual	1966 estimate	1967 estimate
Cash balances brought forward:			
Excess currencies.....	1,164	1,345	1,539
Nonexcess currencies.....	137	91	77
Subtotal, cash balances brought forward.....	1,301	1,436	1,616
Collections:			
Public Law 480 sales.....	169	140	116
Foreign assistance programs.....	8	7	7
Other nonloan collections:			
Sale of military supplies and equipment.....	12		
Contributions for support of U.S. forces abroad.....	13	9	9
Surplus property and lend-lease.....	13	9	9
Informational media guarantees.....	3	2	2
Interest on public deposits.....	28	27	27
Miscellaneous.....	20	43	38
Loan repayments (principal and interest):			
Public Law 480 loans.....	94	109	129
Foreign assistance loans (including Development Loan Fund).....	132	153	176
Subtotal, collections.....	493	501	514
Transfer of excess currencies to country use.....		-17	-18
Total availabilities.....	1,794	1,920	2,113
Expenditures (deduct):			
Foreign currency expenditure authorizations:			
Proposed additional authorization.....			31
Other.....	12	13	12
With dollar credits to—			
Miscellaneous receipts of the general fund.....	106	140	138
Commodity Credit Corporation, Agriculture.....	193	146	141
Informational media guarantee fund, USIA.....	3	2	2
Foreign buildings program, State.....	1	6	1
Military assistance program, Defense.....	15		
Deposits for replacement currencies.....	5	-3	-2
Other.....	9		
Subtotal, expenditures <sup>1</sup> .....	344	304	323
Adjustments due to changes in exchange rates.....	-13		
Cash balances carried forward.....	1,436	1,616	1,790

<sup>1</sup> Excludes sales of country-use currencies, subject to later replacement, as follows: 1965, \$9 million; 1966, \$35 million; and 1967, \$5 million.

*Recommendations for special foreign currency program appropriations, 1967.*—Most U.S. uses of foreign currencies are covered by unrestricted dollar appropriations. Table L-4 shows the separate appropriations for special foreign currency programs, which are limited to the use of excess foreign currencies.

Table L-4. SPECIAL FOREIGN CURRENCY PROGRAM APPROPRIATIONS—  
NEW OBLIGATIONAL AUTHORITY (in thousands of dollar equivalents)

	1965 enacted	1966 estimate	1967 estimate
Library of Congress: Collection and distribution of library materials.....	1,428	1,690	2,492
Department of Agriculture: Agricultural Research Service: Salaries and expenses.....	2,000	3,000	-----
Department of Commerce:			
International activities: Salaries and expenses.....		200	300
National Bureau of Standards: Research and technical services.....	500	500	500
Environmental Science Services Administration: Research and development.....	500	500	500
Department of Health, Education, and Welfare:			
Office of Education: Educational research.....	500	1,000	1,800
Office of Vocational Rehabilitation: Research and training.....	2,000	2,000	4,000
Public Health Service: Scientific activities overseas.....	1,000	5,000	19,217
Welfare Administration: Research and training.....		1,200	2,000
Department of Interior: Bureau of Commercial Fisheries: Management and investigations of resources.....	300	300	200
Department of State: Acquisition, operation, and maintenance of buildings abroad.....	5,000	6,500	6,250
Smithsonian Institution: Museum programs and related research.....		1,300	5,700
United States Information Agency:			
Salaries and expenses.....	8,200	11,112	10,941
Special international exhibitions.....	400	154	350
<b>Total.....</b>	<b>21,828</b>	<b>34,456</b>	<b>54,250</b>

*Foreign currency expenditure authorizations.*—The budget contains proposed new “Excess foreign currency authorizations,” as set forth in table L-5. These authorizations are subject to the appropriations process and provide for the use of specified numbers of foreign currency units rather than an appropriation to cover the expenditure of the currencies.

Table L-5. ADDITIONAL EXCESS FOREIGN CURRENCY AUTHORIZATIONS  
(In millions of local currency units)

Country and foreign currency unit	Department of Agriculture	Department of Defense	Department of the Interior	Department of Labor	Department of State	National Science Founda- tion	United States Informa- tion Agency	Total
Burma (kyats).....		4.6	1.4		2.0			8.0
Ceylon (rupees).....		1.0	1.2	0.9	3.0		0.7	6.8
Guinea (francs).....	49.3				74.0			123.2
India (rupees).....	39.0	4.1		3.6	69.6	5.1	33.6	154.8
Israel (pounds).....	17.8	4.2	.4	.6	2.9	13.1		39.1
Pakistan (rupees).....	7.2	6.3		.4	21.2	3.4	4.7	43.2
Poland (zlotys).....	97.8	58.0	98.6	1.6	41.3	14.4		311.7
Tunisia (dinars).....	.1	.1		.3	.4			.9
United Arab Republic (Egypt) (pounds).....	.1	.6		.1	.9	.3	.5	2.5
Yugoslavia (dinars).....	4,375.0	4,096.3	125.0	100.0	1,508.5	487.6	1,125.0	11,817.4

In addition to the proposed new authorizations, unexpended balances of prior foreign currency expenditure authorizations remain for Defense family housing, and Indian rupees are made available under a permanent authorization for use in Nepal by the Agency for International Development. Table L-6 summarizes all transactions under foreign currency expenditure authorizations relating to U.S. uses.

Table L-6. SUMMARY OF FOREIGN CURRENCY AUTHORIZATIONS FOR U.S. USES (in thousands of dollar equivalents)

	1965 actual	1966 estimate	1967 estimate
<b>New authorizations to spend foreign currency receipts:</b>			
Proposed additional authorization (see table L-5).....			87,069
Funds appropriated to the President: Economic assistance.....		8,550	9,000
Department of State.....	156		
<b>Total authorizations.....</b>	<b>156</b>	<b>8,550</b>	<b>96,069</b>
<b>Expenditures:</b>			
Proposed additional authorization.....			30,525
Funds appropriated to the President: Economic assistance.....	9,691	10,000	10,000
Department of Defense.....	1,921	3,000	2,030
Department of State.....	277		
<b>Total expenditures.....</b>	<b>11,889</b>	<b>13,000</b>	<b>42,555</b>

*Country uses.*—A far larger amount of foreign currencies are used outside of the appropriations process, as summarized in table L-7, for loans and grants in the host country for common defense and economic development.

Table L-7. SUMMARY OF FOREIGN CURRENCY TRANSACTIONS—COUNTRY USES (in millions of dollar equivalents)

	1965 actual	1966 estimate	1967 estimate
Balances brought forward.....	1,488	1,384	1,386
<b>Collections:</b>			
Public Law 480 sales.....	1,020	910	789
Foreign assistance program.....	1		
Subtotal, collections.....	1,020	910	789
Transfer of excess currencies from U.S. uses.....		17	18
<b>Total availabilities.....</b>	<b>2,508</b>	<b>2,311</b>	<b>2,193</b>
<b>Expenditures (deduct):</b>			
Public Law 480 country loans and grants.....	1,032	859	835
Public Law 480 loans to private enterprise.....	47	50	54
Other foreign assistance programs.....	15	16	11
Subtotal, expenditures.....	1,094	925	900
Adjustments due to changes in exchange rates.....	-30		
<b>Balances carried forward.....</b>	<b>1,384</b>	<b>1,386</b>	<b>1,293</b>

## SPECIAL ANALYSIS M

### INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT

As part of a wide range of efforts to reduce the continuing deficits in the U.S. balance of international payments, the Federal Government carries on a special program to minimize any adverse effects of its activities on the balance of payments. Under this program, agencies with substantial receipts or payments abroad keep their international transactions under close scrutiny. They are required to prepare statistical estimates of their transactions twice each year for review by the Bureau of the Budget. These estimates are evaluated to determine whether all possible actions are being taken to reduce payments and increase receipts.

Since emphasis is placed on using this system as a management tool, forward estimates do not merely project current trends or programs, but rather reflect all possible efforts, consistent with the national interest, to minimize payments and to maximize receipts from activities in other countries.

This special analysis presents a summary of the international transactions of the Federal Government for fiscal years 1965-67 based on estimates made in September 1965, revised where necessary for comparability with the 1967 budget.

*Major trends.*—On the basis of current estimates, net Federal payments abroad, excluding special transactions, will increase by \$679 million between 1965 and 1967.

Gross Federal payments abroad are expected to increase from \$4.2 billion in 1965 to \$4.8 billion in 1966 and \$5.4 billion in 1967. Expenditures for defense purposes and to carry out prior commitments for cash investment in international institutions account for almost all of this increase. Otherwise Federal overseas expenditures in 1967 will not be significantly higher than in 1965.

Gross receipts excluding special transactions (such as prepayments on loans, negotiated sales of special securities, and advances received on military sales) are expected to rise from the 1965 level of almost \$2 billion to more than \$2.4 billion in 1967.

**Table M-1. SUMMARY OF INTERNATIONAL TRANSACTIONS OF THE  
FEDERAL GOVERNMENT (in millions of dollars)**

	1965 estimate	1966 estimate	1967 estimate
Payments.....	4,235	4,820	5,362
Receipts <sup>1</sup> .....	1,992	2,083	2,440
Excess of payments.....	2,243	2,797	2,322

<sup>1</sup> Excluding special transactions.

*Trends by agency.*—Table M-2 provides a breakdown of total current receipts and payments figures. Agencies which account for the bulk of the Federal Government's international transactions are separately identified.

Table M-2. INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT—BY MAJOR AGENCY (in millions of dollars)

Description	1965 estimate	1966 estimate	1967 estimate
<b>Payments:</b>			
Department of Defense.....	2,604	3,045	3,488
Treasury Department.....	563	609	715
Agency for International Development.....	411	375	400
Department of State.....	228	251	244
Department of Health, Education, and Welfare.....	143	165	176
Atomic Energy Commission.....	89	55	28
Veterans Administration.....	70	72	72
Other.....	224	247	239
Subtotal.....	4,332	4,820	5,362
Deduct: Unfunding of previously reserved foreign currency accounts.....	97		
Total.....	4,235	4,820	5,362
<b>Receipts:</b>			
Department of Defense.....	991	1,062	1,144
Export-Import Bank.....	477	438	558
Treasury Department.....	166	157	282
Agency for International Development.....	158	170	186
Department of Agriculture.....	158	237	280
Other.....	141	171	152
Subtotal.....	2,092	2,235	2,602
Deduct: Transactions reported by more than one agency.....	100	152	162
Total.....	1,992	2,083	2,440
<b>Receipts from special transactions (not included in receipts above):</b>			
Advances received on military exports, net.....	323	-60	625
Sales of medium-term, nonmarketable securities, net.....	535	-71	-30
Prepayment and sales of Export-Import Bank loans.....	47	173	( <sup>1</sup> )
Total, special transactions.....	905	42	

<sup>1</sup> Not available. Forward estimates are not made for receipts from these transactions.

*Payments.*—The estimated increase of \$884 million in the level of payments by the Department of Defense for the 2-year period dominates the prospective trend. Increased military operations in Vietnam are largely responsible. The military pay raise and rises in foreign national wage rates and in overseas price levels also contribute to the increase. The Department of Defense will intensify efforts to reduce its net balance-of-payments costs while maintaining all necessary combat capabilities in 1966 and 1967.

The Treasury Department makes substantial payments not easily subject to administrative controls. These include (1) interest on the public debt held abroad and (2) U.S. contributions to international financial institutions. (The balance of payments impact of these

contributions occurs when the institutions convert their U.S. Government notes and letters of credit into cash to meet loan disbursement requirements determined by the progress of individual development projects.) Increased payments to the International Development Association in 1966 and the Inter-American Development Bank in 1967 account for much of the increases in those years.

The Agency for International Development is making special efforts to assure that, wherever possible, loans and grants abroad are tied directly to procurement in the United States. Except for limited procurement in some developing countries, its general policy is to prohibit the purchase abroad of any goods with foreign economic assistance funds. Despite increases in overseas procurement for Vietnam emergency requirements, AID will continue to purchase more than 92% of its commodity requirements in the United States.

The higher level of overseas payments by the Department of State in 1966 and 1967 results from increased U.S. contributions to international organizations and purchases of U.N. bonds.

Overseas payments by the Department of Health, Education, and Welfare will increase between 1965 and 1967. Annuities, pensions, and other transfer payments not readily subject to administrative controls account for more than 85% of these payments. The 7% increase in social security benefits payments authorized in the 1965 Social Security Act amendments will substantially increase these overseas expenditures. Veterans Administration payments abroad, mostly for compensation and pensions, will also increase slightly because of broader eligibility and higher benefits provided by recently enacted legislation.

Payments by the Atomic Energy Commission will decline sharply because of scheduled decreases in the procurement of uranium concentrates from foreign countries. Fiscal year 1967 will be the last year in which the United States expects to procure foreign uranium.

*Receipts.*—The estimated increase of \$448 million in receipts over the 1965–67 period arises mainly from higher Department of Defense sales of military equipment to friendly governments, increasing use of barter for offshore procurement by other agencies through the Department of Agriculture and larger loan repayments to the Export-Import Bank, and the Agency for International Development.

Special transactions—which are not included in the totals just discussed—were the source of large additional receipts in 1965. These receipts result from transactions involving advances or loans and are generally negotiated with foreign governments or official monetary authorities. They include: (1) advance payments by foreign governments for military exports, (2) sales of nonmarketable, medium-term securities by the Treasury Department to foreign central banks, (3) repayments by foreign borrowers of loans before they are due.

*Geographical distribution.*—Table M-3 shows a distribution of receipts and payments by major geographic area.

Receipts from Western Europe (excluding special transactions, most of which are with Western Europe) are estimated to increase 74% from 1965 to 1967 in contrast to a 6% increase in payments. Payments to other countries are expected to rise by 53% during the same period.

Table M-3. DISTRIBUTION OF INTERNATIONAL TRANSACTIONS OF THE FEDERAL GOVERNMENT, BY GEOGRAPHIC AREA (in millions of dollars)

	1965 estimate	1966 estimate	1967 estimate
<b>Payments:</b>			
Western Europe (including international organizations located there).....	1,918	1,998	2,045
Other countries.....	1,844	2,445	2,829
Other international and undistributed.....	473	377	488
Total.....	4,235	4,820	5,362
<b>Receipts:<sup>1</sup></b>			
Western Europe (including international organizations located there).....	840	1,246	1,460
Other countries.....	1,136	826	973
Other international and undistributed.....	17	10	7
Total.....	1,993	2,082	2,440

<sup>1</sup> Excluding special transactions.

*Payments by type of transaction.*—Between 1965 and 1967, increases in Federal payments abroad will occur primarily in purchases of goods and services for use abroad, in U.S. payroll spent abroad, and in loans. Increased Department of Defense expenditures for Vietnam largely account for the first two.

Table M-4. DISTRIBUTION OF FEDERAL PAYMENTS ABROAD BY TYPE OF TRANSACTION (in millions of dollars)

Description	1965 estimate	1966 estimate	1967 estimate
U.S. payroll—amount estimated to be spent abroad.....	997	1,178	1,349
Goods and services purchased abroad for use abroad <sup>1</sup> .....	1,949	2,235	2,521
Other purchases of goods and services.....	158	152	112
Grants (amounts for use abroad) <sup>2</sup> .....	450	395	422
Pensions and similar transfer payments.....	268	301	312
Loans (amounts for use abroad) <sup>2</sup> .....	177	281	321
Other.....	474	446	498
Subtotal.....	4,474	4,987	5,535
<b>Deduct:</b>			
Payments in excess and near-excess foreign currencies <sup>3</sup> .....	142	167	172
Unfunding of previously reserved foreign currency accounts.....	97	-----	-----
Total, payments affecting the balance of payments.....	4,235	4,820	5,362

<sup>1</sup> Includes Defense procurement, including military assistance.

<sup>2</sup> Excludes funds tied to procurement in the United States or which are otherwise not currently available for use abroad.

<sup>3</sup> See Special Analysis L for definitions of excess and near excess currencies. Since use of these currencies does not increase the flow of dollars abroad, they are deducted in calculating the effect of the Federal Government on the balance of payments. These figures are estimated on a slightly different basis in Special Analysis L, which reflects certain payments not covered in agency estimates of international transactions.

*Relation to the budget.*—Reports on international transactions do not, in all cases, flow directly from the accounting system used for the administrative budget or trust funds. In some instances they are estimated separately to show all Government receipts or payments

which enter the balance of payments. The major differences between data on international transactions and administrative budget and trust fund totals are:

1. *Coverage.*—Data on international transactions *exclude* all budget and trust transactions that are within the United States. For example, the administrative budget includes all expenditures for foreign assistance and Department of Defense procurement, while such payments are included as international transactions only to the extent that the procurement is estimated to take place abroad. On the other hand, budget and trust figures *exclude* all transactions in U.S. Government debt whether domestic or international. But, sales of special Treasury securities overseas and other international debt operations are included in reports on international transactions.

2. *Estimated basis of international transactions.*—No separate detailed accounting system has been established for international transactions comparable to that which supports administrative budget and trust fund totals. In many cases, it is necessary to estimate the overseas components of transactions, since these components are not shown directly by accounting data. For example, budget accounts provide precise data on the gross amount of salaries paid in a given overseas area, but do not identify the amount actually spent overseas by employees—which is the relevant statistic for balance-of-payments purposes. Thus, for past years, international transactions are a combination of actual accounting reports and estimates.

3. *Timing.*—International transactions are recorded at the time when they are known or estimated to affect the balance of payments. The time at which a given international transaction is counted may, therefore, vary considerably from the time at which it is shown in the budget and trust fund accounts. For example, in some cases the U.S. Government makes contributions to international organizations in the form of non-interest-bearing notes. These notes are shown as administrative budget expenditures when issued, but as international payments only when they are cashed.

***Relationship to balance-of-payments statistics.***—Data on Federal receipts and payments abroad are also reflected in the balance-of-payments statistics published by the Department of Commerce. However, as with the administrative budget, the balance-of-payments statistics are designed for purposes which are different from those for which the Government agency reports on international transactions have been established. Balance-of-payments data meet the needs for economic analysis and for the measurement of international flows of real resources and money, while agency reports on international transactions serve as both a means of estimating and a management tool for decreasing the balance-of-payments impact of Federal Government programs. Reflecting the different uses of these two bodies of data, the balance-of-payments statistics and the reports on Federal transactions covered in this analysis differ in the following respects:

1. *Classification.*—The reports use classifications by agency and by types of expenditures which are quite different from the broad functional classifications used for the balance-of-payments statistics.

2. *Attribution.*—Transactions conducted by private businesses, in which the Federal Government is involved, are treated as private in the balance-of-payments statistics. In order to emphasize management decisions, however, Federal agency reports permit the attribution of some such transactions to the Federal Government. For example, military goods may be sold to foreign governments directly by private companies, although the sales are encouraged and sponsored by the Department of Defense. In the balance of payments, such sales would be reported as private receipts from exports. However, for the purpose of measuring the Defense Department's impact on international transactions, some of them are considered Government receipts.

3. *Other.*—Further differences between the two sets of data involve the timing of certain transactions, the reporting of foreign currencies, and minor differences in coverage of transactions which are considered "foreign."

The balance-of-payments statistics do not include a separate identifiable category on total Federal receipts or payments. However, because of the recent interest in the relationship between U.S. Government grants and loans abroad and the balance of payments, the Department of Commerce has included estimates indicating the amount of Government loans and grants which involve direct payments to foreign accounts, distinguished from those which involve no direct dollar outflow from the United States. Agencies report similar data for their estimates on international transactions. A reconciliation between the two sets of data, shown in table M-5, illustrates the kinds of differences which exist between the agency reports and estimates on international transactions and the Department of Commerce balance-of-payments statistics.

Table M-5. GOVERNMENT GRANTS AND LOANS—RECONCILIATION  
BETWEEN BALANCE OF PAYMENTS AND AGENCY ESTIMATES OF  
INTERNATIONAL TRANSACTIONS (in millions of dollars)

Description	1965
<b>Government grants and loans, as shown in agency reports on international transactions (lines 4 and 6, table M-4)</b> .....	627
Difference in definitions of grants and loans:	
Add:	
Agency for International Development administrative expenses.....	43
Peace Corps expenditures.....	12
Other.....	5
Deduct:	
Certain contributions to international organizations.....	91
Netting of certain receipts.....	39
Other.....	18
Differences in coverage and reporting:	
Add:	
Inclusion of Trust Territory payments.....	13
Payments to foreign-flag carriers.....	13
Payments for expenditures in the United States but entering foreign dollar accounts in U.S. banks.....	116
Differences in agency reporting estimates.....	56
Foreign currency transactions (net).....	17
Other (net).....	6
<b>Transactions involving direct dollar payments to foreign accounts as shown in balance-of-payments statistics</b> .....	760

