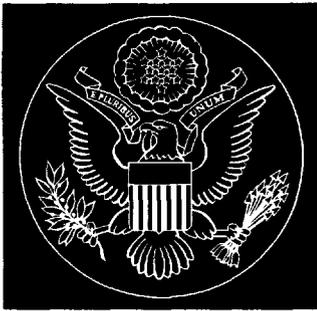




SPECIAL ANALYSES

BUDGET OF THE UNITED STATES

FISCAL YEAR 1968



SPECIAL ANALYSES

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FISCAL YEAR 1968

FOREWORD

This volume of *Special Analyses, Budget of the United States, 1968*, contains facts and figures on special aspects of the President's budgetary recommendations transmitted in *The Budget of the United States Government, 1968*. 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.
3. Amounts shown for the Department of Transportation include, for 1966, 1967, and 1968, those separately funded organizations being transferred in their entirety. Other activities are shown in their old locations for the time prior to their transfer into the Department.

TABLE OF CONTENTS

	Page
A. Three measures of Federal financial transactions.....	5
B. Public enterprises, trust funds, and gross expenditures of the Government.....	14
C. Civilian employment in the executive branch.....	27
D. Investment, operating, and other expenditures.....	35
E. Federal credit programs.....	57
F. Federal activities in public works.....	71
G. Federal education, training, and related programs.....	87
H. Federal health programs.....	110
I. Federal research, development, and related programs.....	123
J. Federal aid to State and local governments.....	145
K. Principal Federal statistical programs.....	162
L. Foreign currency availabilities and uses.....	170
M. International transactions of the Federal Government.....	177

SPECIAL ANALYSIS A

THREE MEASURES OF FEDERAL FINANCIAL TRANSACTIONS

There are many ways that Government finances can be analyzed, depending on the uses to which the information is to be put. Special Analysis A presents the meaning and relationship between the three most commonly used concepts of Federal Government finances: (1) the administrative budget, (2) the consolidated cash statement, and (3) the Federal sector of the national income accounts.

The administrative budget is the narrowest concept of Federal finances. It serves for administrative decisionmaking, but its coverage is not comprehensive enough for economic analysis. The consolidated cash budget is the broadest concept discussed in this special analysis. It aids in determining the impact of Federal finances on the money market by showing the flow of money between the public and the Federal Government. The Federal sector of the national income accounts provides a measure of Federal finances comparable to the national income and product totals as measured for the rest of the economy and is specially designed for the analysis of the fiscal impact of the Federal Government.

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 has 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.

ADMINISTRATIVE BUDGET

The administrative budget covers receipts and expenditures of funds owned by the Federal Government. These include general fund, special funds, public enterprise funds, and intragovernmental revolving and management funds. Internal transactions between these Federal accounts (i.e., "interfund" transactions) are excluded from the total. Gross collections of business-type activities (such as the Post Office) are normally subtracted from their gross outlays and the difference is recorded in the administrative budget as "net expenditures."

Although budget documents placed before the Congress have regularly presented detailed information on the financial transactions of both federally owned funds and funds held in trust by the Government, only the former have been traditionally used as representing the budget totals. For many years, the administrative budget has served as the principal financial plan for conducting the affairs of Government. It is the focal point for management and decision-

making with respect to Government activities which are financed by the Government's own funds.

Table A-1. RELATION OF THREE MEASURES OF FEDERAL RECEIPTS AND EXPENDITURES, 1966-68¹

[In billions of dollars]

	1966 actual	1967 estimate	1968 estimate
RECEIPTS			
Administrative budget receipts	104.7	117.0	126.9
Plus: Trust fund receipts	34.9	44.9	48.1
Less: Intragovernmental transactions	4.5	6.2	6.5
Receipts from exercise of the monetary authority .....	.6	1.1	.5
Equals: Federal receipts from the public	134.5	154.7	168.1
Less: Exclusions from the Federal sector, national income accounts:			
Loans repaid .....	.3	.4	.2
Items classified in another sector:			
District of Columbia .....	.3	.3	.4
Foreign military assistance trust fund .....	.7	1.1	1.4
Plus: Exclusions from Federal receipts from the public:			
Excess of accruals (+) over collections (-)	-1.2	-3.9	+ .4
Employer and employee contributions to Federal retirement funds	2.3	2.3	2.3
Plus: Miscellaneous netting, grossing, and related adjustments:			
Receipts netted against expenditures	-1.2	-1.0	-1.0
Other	-.5	-.5	-.7
Equals: Federal receipts, national income and product accounts	132.6	149.8	167.1
EXPENDITURES			
Administrative budget expenditures	107.0	126.7	135.0
Plus: Trust fund expenditures ²	34.9	40.9	44.5
Less: Intragovernmental transactions	4.5	6.2	6.5
Debt issued in lieu of checks and other adjustments	-.4	.6	.7
Equals: Federal payments to the public	137.8	160.9	172.4
Less: Exclusions from the Federal sector:			
Loans and financial transactions:			
Lending: net	3.2	4.3	1.8
Federal land banks and Federal home loan banks	1.9	1.7	.2
Acquisition of foreign currency for financing agricultural exports	1.0	1.1	1.0
Items classified in other sectors:			
District of Columbia .....	.4	.5	.6
Foreign military assistance trust fund .....	.8	1.1	1.4
Plus: Exclusions from Federal payments to public:			
Excess of deliveries or accruals (+) over payments (-)	-.3	+ .2	+ .4
Employer and employee contributions to Federal retirement funds	2.3	2.3	2.3
Plus: Miscellaneous netting, grossing, and related adjustments:			
Receipts netted against expenditures	-1.2	-1.0	-1.0
Other	1.0	*	.1
Equals: Federal expenditures, national income, and product accounts	132.3	153.6	169.2

*Less than \$50 million.

¹ The Federal sector receipts and expenditures are identical to those published by the Department of Commerce in the "Survey of Current Business."

² Includes Government sponsored enterprises, net.

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 was developed to present more fully the flow of total cash transactions (excluding Federal borrowing) between the Federal Government and the public. The consolidated cash statement is particularly useful for determining Government financing needs and for analyzing the financial interrelationships between the Federal Government and the private credit markets.

CONSOLIDATED CASH STATEMENT

The consolidated cash statement is the sum of the administrative budget and trust funds, less any transactions which do not actually represent a cash receipt from or payment to the public. Table A-2 provides summary information on both the receipts and expenditures of the administrative budget and the trust funds.

Table A-2. ADMINISTRATIVE BUDGET AND TRUST FUND RECEIPTS AND EXPENDITURES (in billions of dollars)

Description	Administrative budget funds			Trust funds		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
RECEIPTS						
Individual income taxes.....	55.4	62.2	73.2			
Corporation income taxes.....	30.1	34.4	33.9			
Employment taxes.....				20.0	26.4	28.4
Excise taxes.....	9.1	9.3	8.8	3.9	4.5	4.9
Unemployment tax deposits by States.....				3.1	3.0	3.0
Other receipts.....	10.7	11.9	11.7	8.6	11.7	12.5
Interfund transactions.....	-.6	-.8	-.7	-.8	-.7	-.7
Total receipts.....	104.7	117.0	126.9	34.9	44.9	48.1
EXPENDITURES						
National defense.....	57.7	70.2	75.5	.8	1.1	1.4
International affairs and finance.....	4.2	4.6	4.8	.2	.1	.2
Space research and technology.....	5.9	5.6	5.3	*	*	*
Agriculture and agricultural resources.....	3.3	3.0	3.2	1.2	1.4	1.2
Natural resources.....	3.1	3.2	3.5	.1	.1	.1
Commerce and transportation.....	3.0	3.5	3.1	3.8	3.7	3.7
Housing and community development.....	.3	.9	1.0	3.2	3.0	1.0
Health, labor, and welfare.....	7.6	10.4	11.3	26.4	31.5	37.1
Education.....	2.8	3.3	2.8	*	*	*
Veterans benefits and services.....	5.0	6.4	6.1	.6	.8	.6
Interest.....	12.1	13.5	14.2			
General government.....	2.5	2.7	2.8			
Deposit funds (net).....				-.5	-.2	-.1
Allowances.....		.1	2.2			
Interfund transactions.....	-.6	-.8	-.7	-.8	-.7	-.7
Total expenditures.....	107.0	126.7	135.0	34.9	40.9	44.5
Excess of receipts (+) or expenditures (-).....	-2.3	-9.7	-8.1	*	+4.0	+3.6

*Less than \$50 million.

Trust funds are derived from special taxes or other special sources, held in trust, and then spent for the specific purposes of the trust. While the administrative budget totals do not include the transactions of trust funds, several important parts of the Government's program are carried out through such funds, particularly unemployment insurance, social security, and highway construction.

Trust fund expenditures also include the net expenditures of five Government-sponsored enterprises: The Federal Deposit Insurance Corporation, the Federal home loan banks, the Federal land banks, the banks for cooperatives, and the Federal intermediate credit banks. Deposit funds, which are used to account for money that is either held in suspense temporarily or is held by the Government as banker or agent for others, are also recorded net along with the trust funds.

Table A-3. DERIVATION OF CONSOLIDATED CASH TOTALS

[Fiscal years. In billions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
FEDERAL RECEIPTS FROM THE PUBLIC			
Administrative budget receipts.....	104.7	117.0	126.9
Trust fund receipts.....	34.9	44.9	48.1
Adjustments:			
Intragovernmental transactions: Federal receipts which are also Federal expenditures (table A-4).....	-4.5	-6.2	-6.5
Receipts from the exercise of monetary authority ¹	-0.6	-1.1	-0.5
Total, Federal receipts from the public.....	134.5	154.7	168.1
FEDERAL PAYMENTS TO THE PUBLIC			
Administrative budget expenditures.....	107.0	126.7	135.0
Trust fund expenditures.....	34.9	40.9	44.5
Adjustments:			
Intragovernmental transactions (table A-4).....	-4.5	-6.2	-6.5
Debt issuance in lieu of checks.....	-0.5	-0.5	-0.6
Revolving fund receipts from exercise of monetary authority.....		*	*
Increase (+) or decrease (-) in outstanding checks, etc.....	+1.0	-0.1	-0.1
Total, Federal payments to the public.....	137.8	160.9	172.4
Excess of Federal receipts from (+) or payments to (-) the public.....	-3.3	-6.2	-4.3

*Less than \$50 million.

¹ Includes small amount for excess profits tax refund bonds.

RELATIONSHIP OF THE CONSOLIDATED CASH STATEMENT TO THE ADMINISTRATIVE BUDGET

The following adjustments are needed to derive cash transactions with the public from the sum of the administrative budget and trust funds:

1. *Intragovernmental transactions.*—Administrative budget receipts include amounts paid into the Treasury by trust funds, such as reimbursement for the cost of collecting payroll taxes and other services. (These amounts are also reported as trust fund expenditures.) Simi-

larly, 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-4. INTRAGOVERNMENTAL TRANSACTIONS EXCLUDED FROM THE CONSOLIDATED CASH STATEMENT

[In millions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
Administrative budget receipts which are trust fund expenditures:			
Franchise taxes from Government-sponsored enterprises.....	5	4	3
Dividends, interest, etc., from Federal National Mortgage Association.....	19	32	30
Reimbursements for expenses and services.....	74	80	83
Repayment of interest and advances from unemployment trust fund and other.....	21	8	-----
Total, administrative budget receipt items.....	120	124	116
Trust fund receipts which are administrative budget expenditures:			
Interest on trust funds.....	1,908	2,268	2,685
Contributions for military service credits.....	17	227	123
Federal supplementary medical insurance.....	-----	623	658
Transitional coverage for hospital insurance.....	-----	327	273
Payments to District of Columbia (including Federal grants-in-aid).....	125	192	204
Employing agencies' payments to employees' retirement funds.....	1,160	1,208	1,206
Awards to Indian tribal funds.....	25	50	50
Contributions to veterans life insurance funds.....	5	5	5
Other.....	1	1	1
Total, trust fund receipt items.....	3,239	4,900	5,204
Deductions from employees' salaries for retirement.....	1,092	1,135	1,135
Total intragovernmental transactions.....	4,451	6,159	6,454

2. *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.

3. *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. For example, the administrative budget records interest on savings bonds when it accrues while the cash budget records it when the bonds are cashed. The Federal Government also paid part of its subscriptions to international financial institutions in non-interest-bearing notes. These notes were recorded as administrative budget expenditures when they were issued, but only become cash expenditures when they are redeemed for cash.

4. *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.

A separate document entitled *Receipts From and Payments to the Public* is prepared each year in conjunction with the budget providing more detailed information concerning the derivation of the consolidated cash budget. This booklet is available on request from the Bureau of the Budget, 17th and Pennsylvania Avenue NW., Washington, D.C. 20503.

FEDERAL SECTOR OF THE NATIONAL INCOME ACCOUNTS

The third major measure of Government finances is the Federal sector of the national income accounts. This measure records transactions that affect current income or output, and shows them as part of the total system of national income accounts. The concepts and accounting system used in the national income accounts budget have been formulated by the Office of Business Economics of the Department of Commerce as part of the official national income statistics of the United States.

RELATIONSHIP OF CONSOLIDATED CASH TO THE FEDERAL SECTOR OF THE NATIONAL INCOME ACCOUNTS

1. *Loans and financial transactions.*—The national income accounts are designed to record current income and production. Certain cash transactions are not an addition to the Nation's total income or gross national product but are rather an exchange of financial instruments. There are three categories of such activity.

a. Cash loans transactions are excluded from the national income accounts. Loans and repayment of loans are included in the cash budget either as *net* expenditures or as receipts. However, the amount of loan repayment included in cash receipts is small—most loan repayments flow into revolving funds and are reflected in reduced cash expenditures.

b. Two privately owned Government-sponsored enterprises—the Federal land banks and the Federal home loan banks—are not included in the Federal sector accounts. Since most of their activities are lending, they are shown in table A-1 under loans and financial transactions.

c. The Commodity Credit Corporation facilitates exports of agricultural products by purchasing foreign currencies from U.S. exporters. This expenditure of dollars for foreign currency is excluded in the national income accounts because it is an exchange of financial assets. When the foreign currency is expended it is then included in the national income accounts.

2. *Items classified in another sector.*—The District of Columbia is included with the State and local governments in the national income accounts, so their cash receipts and expenditures are excluded from the Federal sector. The foreign military assistance trust fund records the receipt and expenditure of money received from foreign governments for the purchase of military equipment. The purchase of equipment is recorded in the GNP as part of net exports. Since the exports are financed by the receipts, both the receipts and expenditures of the trust fund are excluded from the Federal sector.

3. *Excess of deliveries or accruals (+) over payments (-).*—Most 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 the performance of services to the Government; (b) interest on savings bonds and Treasury bills is treated as an expenditure in the Federal sector account when the interest is accrued, and (c) the issuance of checks is considered a better reflection of timing, so the adjustment for checks outstanding that is made in deriving the cash totals is reversed.

4. *Employer and employee contributions to Federal retirement funds.*—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 compensation of Government employees and part of Federal tax receipts.

5. *Miscellaneous netting, grossing, and related adjustments.*—Expenditures of government enterprises are recorded in the national income accounts net of receipts derived from the sale of their products or services. Where these receipts appear in consolidated cash receipts, they are netted against expenditures in the Federal sector account.

The other miscellaneous adjustments include purchase or sale of land, certain geographical exclusions (such as Guam) and a number of adjustments which can be identified in total but cannot readily be broken into their component adjustments using budget data.

The net results of these adjustments are shown in table A-5 which shows the Federal sector receipts and expenditures by category.

Table A-5. FEDERAL RECEIPTS AND EXPENDITURES IN THE NATIONAL INCOME ACCOUNTS [in billions of dollars]

Description	1966 actual	1967 estimate	1968 estimate
RECEIPTS, NATIONAL INCOME BASIS			
Personal tax and nontax receipts.....	57.9	65.5	76.8
Corporate profits tax accruals.....	30.7	32.3	35.3
Indirect business tax and nontax accruals.....	15.9	16.5	16.9
Contributions for social insurance.....	28.1	35.5	38.1
Total receipts, national income basis.....	132.6	149.8	167.1
EXPENDITURES, NATIONAL INCOME BASIS			
Purchases of goods and services.....	71.7	83.6	91.9
Transfer payments.....	34.3	39.8	46.6
Grants-in-aid to State and local governments.....	12.9	14.8	16.7
Net interest paid.....	9.1	10.0	10.5
Subsidies less current surplus of Government enterprises.....	4.5	5.4	3.5
Total expenditures, national income basis.....	132.3	153.6	169.2
Surplus (+) or deficit (-), national income basis.....	+0.3	-3.8	-2.1

CATEGORIES INCLUDED IN THE FEDERAL SECTOR OF THE NATIONAL
INCOME ACCOUNTS

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.

1. *Personal tax and nontax receipts* consist mostly of individual income taxes, estate and gift taxes, fines, fees, and rental receipts.

2. *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 have usually lagged the accruals, but the program of accelerating corporate tax payments to reduce the lag between accrual of liability and actual collections results in a negative timing adjustment in fiscal 1967 which will become much smaller in fiscal 1968.

3. *Indirect business tax and nontax accruals* consist primarily of excise taxes, customs duties, and Federal receipts from rent and royalties.

4. *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* represent the value of the Nation's 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.

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, construction payments on research and development contracts with corporations and on similar purchases from 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.

2. *Transfer payments* consist of expenditures by the Federal Government for which no current output or services have been rendered. Examples of 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 and medical care for the aged.

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.

3. *Grants-in-aid to State and local governments*, 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 in the national income accounts. Like transfer payments and net interest paid, Federal grants-in-aid are counted in the GNP when spent 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* 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* 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, 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. The Post Office and the Tennessee Valley Authority are two of the largest enterprises.

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 \$28.7 billion in 1968, and their receipts will be \$27.3 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 less than half of the expenditures. The figures for both 1967 and 1968 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 13). 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 \$2.4 billion of the Commodity Credit Corporation receipts shown for 1968. 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		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Funds appropriated to the President:						
Economic assistance.....	1,018	1,218	1,224	60	69	91
Other.....	102	349	418	314	400	428
Department of Agriculture:						
Commodity Credit Corporation ¹	8,403	9,001	7,475	6,884	7,103	5,646
Farmers Home Administration.....	1,128	1,569	1,879	1,010	2,194	2,550
Rural Electrification Administration (proposed new fund).....		440	508		194	201
Consumer and Marketing Service (pro- posed new fund).....			11			11
Other.....	44	30	41	34	37	41
Department of Commerce.....	120	241	280	123	253	362
Department of Defense:						
Military.....	18	33	52	18	30	33
Civil (Panama Canal Company).....	128	141	139	132	142	145
Department of Health, Education, and Welfare:						
Office of Education (proposed new fund).....						100
Other.....	8	24	76	8	126	127
Department of Housing and Urban De- velopment:						
College housing loan fund.....	402	448	397	90	701	1,659
Urban renewal fund.....	293	640	379	256	592	360
Federal National Mortgage Association.....	2,274	2,924	2,421	2,739	3,107	2,548
Federal Housing Administration.....	985	1,025	1,006	798	904	998
Low-Rent Public Housing fund.....	426	470	527	189	205	252
Other.....	452	582	753	27	109	209
Department of the Interior:						
Existing legislation.....	128	132	124	52	56	56
Proposed new funds.....		205	224		151	165
Department of Labor.....	210	295	304	213	298	308
Post Office Department.....	5,927	6,373	6,699	5,039	5,165	6,155
Department of Transportation.....	32	25	19	20	22	22
Treasury Department:						
Existing legislation.....	1	1	2	1	1	2
Proposed new fund.....			95		26	95
General Services Administration.....	*	*	*	*	*	*
Veterans Administration.....	638	749	767	1,328	641	1,269
Other independent offices:						
Export-Import Bank of Washington.....	1,147	1,629	1,720	1,532	1,501	2,085
Federal Savings and Loan Insurance Corporation.....	56	108	1	312	238	318
Small Business Administration.....	583	558	638	729	687	599
Tennessee Valley Authority.....	405	469	503	351	390	392
Other.....	22	23	21	29	31	30
Total.....	24,953	29,705	28,705	22,291	25,377	27,258
Receipts from the public.....				(16,580)	(18,638)	(21,442)
Receipts from other accounts.....				(5,711)	(6,739)	(5,816)

* Less than one-half million dollars.

¹ Includes advances from foreign assistance and special export programs of \$1,686 million in 1966, \$1,617 million in 1967, and \$1,796 million in 1968.

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):

	1966	1967	1968
Balances, start of year:			
Cash and U.S. securities.....	8,548	11,310	13,983
Undrawn authorizations.....	26,297	27,108	30,100
Additional amounts becoming available:			
New obligational authority.....	6,896	8,826	6,063
Transfers from other funds.....	74	1,492	-----
Applicable receipts.....	22,291	25,377	27,258
Total available.....	<u>64,105</u>	<u>74,114</u>	<u>77,403</u>
Application of funds:			
Gross expenditures.....	24,953	29,705	28,705
Transfers to other funds.....	7	9	2
Writeoffs of authority.....	725	318	632
Balances, end of year:			
Cash and U.S. securities.....	11,310	13,983	16,494
Undrawn authorizations.....	27,108	30,100	31,570
Total application and balances.....	<u>64,105</u>	<u>74,114</u>	<u>77,403</u>

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 (including transfers in)			Writeoffs (including capital transfers out)		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Funds appropriated to the President:						
Economic assistance.....	1,053	973	1,277	36	32	34
Other.....	¹ 107	¹ 156	18			
Department of Agriculture:						
Commodity Credit Corporation.....	2,603	2,785	1,440	² -30	² 30	² 11
Farmers Home Administration.....	240					
Proposed new funds.....		³ 1,721	35		45	
Department of Commerce.....	1			300	5	2
Department of Defense—Military.....		11	27		⁴ 1	
Department of Health, Education, and Welfare.....	*	204	⁵ 5			
Department of Housing and Urban De- velopment:						
College housing loan fund.....	300	7	338			
Urban renewal fund.....	689	740	1,000	2		
Federal National Mortgage Association.....	100	610	550	282	51	239
Low-rent housing fund.....	237	⁶ 300	290		*	*
Other.....	242	213	209	⁷ -68	4	10
Department of the Interior:						
Existing legislation.....	62	73	56	4	4	2
Proposed new funds.....		⁸ 220	98		25	25
Department of Labor.....				*	*	
Post Office Department.....	962	1,227	651	28		
Department of Transportation.....	4				*	*
Treasury Department.....		*		*	*	*
General Services Administration.....				*	*	*
Veterans Administration.....	*		1	⁹ 70	⁹ 17	⁹ 199
Other independent offices:						
Export-Import Bank of Washington.....				50	50	50
Small Business Administration.....	310	¹⁰ 2	7			
Tennessee Valley Authority.....	59	1,064	62	59	62	62
Other.....		13				
Total.....	6,970	10,318	6,063	732	327	634

* Less than one-half million dollars.

¹ Includes transfer of \$74 million in 1966 and \$134 million in 1967 from the military assistance appropriation to the Foreign military sales fund.

² Consists of increase or decrease in advances from appropriations for certain other purposes, spent through the Corporation's funds.

³ Includes \$1,224 million proposed to be transferred from existing accounts at inception of new Rural Electrification fund.

⁴ Balance transferred to civil defense appropriations.

⁵ Includes \$2 million for proposed new fund, Office of Education.

⁶ Includes \$22 million deficiency appropriation.

⁷ Net restoration.

⁸ Includes transfers from general fund accounts of \$129 million to Bonneville Power Administration, and \$3 million to Southwestern Power Administration.

⁹ Includes unobligated balances transferred to Veterans insurance and indemnities appropriation of \$7 million in 1966, \$8 million in 1967, and \$2 million in 1968.

¹⁰ Consists of transfer from appropriation for trade adjustment loans.

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		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Funds appropriated to the President:						
Economic assistance.....	3,317	3,228	3,339	199	199	199
Other.....	131	46	78	77	250	246
Department of Agriculture:						
Commodity Credit Corporation.....	46	50	50	3,542	4,394	3,992
Farmers Home Administration.....	330	889	1,569	39	105	96
Rural Electrification Administration (proposed new fund).....		1,425	1,154			
Other.....	31	143	142			
Department of Commerce.....	25	32	112			
Department of Defense—Military.....	19	26	34			
Department of Defense—Civil (Panama Canal Company).....	11	12	17	10	10	10
Department of Health, Education, and Welfare.....	3	311	466			
Department of Housing and Urban Development:						
College housing loan fund.....	88	84	84	870	1,135	2,735
Urban renewal fund.....	1,150	1,178	1,738	3,430	3,730	3,700
Low-rent public housing.....	90	124	139	1,500	1,500	1,500
Federal National Mortgage Association.....	160	239	316	4,938	5,601	5,963
Federal Housing Administration.....	674	651	704	414	315	245
Other.....	496	569	659	896	926	951
Department of the Interior:						
Existing funds.....	19	16	11	12	9	1
Proposed new funds.....		141	154			
Department of Labor.....	305	309	312			
Post Office Department.....	547	566	673			
Department of Transportation.....	7	4	6	15	15	15
Treasury Department:						
Existing legislation.....	*	*	*			
Proposed new fund.....		26	26			
General Services Administration.....	*	*	*			
Veterans Administration.....	1,380	1,264	1,764	205	197	
Other independent offices:						
Export-Import Bank of Washington.....	1	1	2	5,822	5,644	5,958
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.....	1,576	1,706	2,023	750	750	750
Small Business Administration.....	723	854	821			
Tennessee Valley Authority.....	29	29	26	382	1,305	1,197
Other.....	149	162	171	6	14	12
Total.....	11,310	13,983	16,494	27,108	30,100	31,570

* Less than one-half million dollars.

† Includes cash of \$4.7 million in 1967, and \$3.9 million in 1968 under proposed legislation to establish a revolving fund for consumer protective, marketing, and regulatory programs.

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 \$44.5 billion in 1968, with receipts of \$48.1 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		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Federal old-age and survivors insurance trust fund.....	18,769	19,944	24,442	18,461	23,043	24,399
Federal disability insurance trust fund.....	1,937	1,982	2,389	1,616	2,308	2,407
Health insurance trust funds.....	64	3,526	4,171	916	4,328	5,066
Unemployment trust fund.....	2,687	2,655	2,534	4,126	4,146	4,235
Railroad retirement accounts.....	1,246	1,366	1,511	1,411	1,580	1,613
Federal employees funds.....	1,680	2,004	2,063	2,834	3,000	3,069
Highway trust fund.....	3,966	3,938	3,816	3,925	4,523	4,607
Beauty-Safety trust funds.....			256			402
Veterans life insurance funds.....	554	773	587	740	750	754
Federal national mortgage association trust funds.....	1,478	1,283	442			
Other trust funds.....	1,589	2,082	2,506	1,593	1,954	2,320
Deposit funds, net.....	-520	-159	-122			
Interfund transactions (table 13, note).....	-770	-734	-730	-770	-734	-730
Subtotal.....	32,680	38,658	43,865	34,853	44,898	48,142
Government-sponsored enterprises, net.....	2,184	2,224	642			
Total.....	34,864	40,882	44,507	34,853	44,898	48,142

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.

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 legisla-

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

Description	Gross expenditures			Applicable receipts		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Civil Service Commission (employees' life insurance and health benefits).....	708	767	851	724	820	917
Federal National Mortgage Association.....	1,934	1,980	1,868	455	697	1,426
All other trust revolving funds.....	213	56	109	57	54	48
Total trust revolving funds.....	2,855	2,803	2,828	1,236	1,572	2,391
Receipts from the public.....	-----	-----	-----	(850)	(1,168)	(1,939)
Receipts from other accounts.....	-----	-----	-----	(386)	(404)	(452)

tion, 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			
	1965 actual	1966 actual	1967 estimate	1968 estimate
Federal old-age and survivors insurance trust fund.....	20,180	19,872	22,971	22,928
Federal disability insurance trust fund.....	2,007	1,686	2,012	2,030
Health insurance trust funds.....	-----	851	1,654	2,548
Unemployment trust fund.....	7,861	9,300	10,791	12,492
Railroad retirement accounts.....	4,016	4,181	4,396	4,547
Federal employees funds.....	16,108	17,263	18,256	19,266
Highway trust fund.....	285	244	829	1,620
Beauty-Safety trust fund.....	-----	-----	-----	146
Veterans life insurance funds.....	6,874	7,061	7,039	7,206
Federal National Mortgage Association trust funds.....	20	14	166	546
All other trust funds.....	1,731	1,735	1,609	1,372
Deposit funds.....	2,544	3,064	3,223	3,346
Total.....	61,627	65,271	72,946	178,046
Balances available on an authorization basis (table 10).....	73,462	76,579	88,024	93,660
Unappropriated receipts:				
Available as needed on an indefinite basis.....	75	78	67	66
Available for appropriation by Congress:				
District of Columbia.....	-133	-133	-121	-173
United States Soldiers' Home.....	107	108	106	107
Highway trust fund.....	209	235	789	1,580
Beauty-Safety trust fund.....	-----	-----	-----	98
Unfinanced contract authorization.....	-9,982	-10,783	-12,490	-14,473
Undrawn authorizations to borrow.....	-2,112	-813	-3,429	-2,820
Balances available on a cash basis.....	61,627	65,271	72,946	178,046

¹ Excludes participation certificates holdings of \$500 million.

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

	1966	1967	1968
Balances, start of year.....	61,627	65,271	72,946
Receipts.....	34,853	44,898	48,142
Borrowing from the public, net.....	1,472	1,434	823
Total available.....	97,951	111,604	121,912
Expenditures (excluding Government-sponsored enterprises).....	32,680	38,658	43,865
Balances, end of year.....	65,271	72,946	78,046
Total application and balances.....	97,951	111,604	121,912

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 \$7 billion a year. The Banks for cooperatives—in which the Government interest has declined to less than a fourth of the capital—will make loans of about \$2 billion a year. Repayments of loans to these enterprises are nearly as large.

Estimates for the Exchange Stabilization Fund of the Treasury for 1967 and 1968 are not available, except for administrative expenses. Therefore, this title shows only the actual 1966 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		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Milk Marketing Administration.....	13	14	14	14	14	14
Comptroller of the Currency.....	20	22	23	21	23	24
Exchange Stabilization Fund.....	127	(1)	(1)	513	(1)	(1)
Board of Governors of Federal Reserve System.....	9	9	11	9	9	12
Banks for Cooperatives.....	1,640	2,042	2,366	1,472	1,734	2,089
Federal Intermediate Credit Banks.....	6,255	7,304	8,091	5,891	6,801	7,681
Federal Deposit Insurance Corporation.....	3	21	12	230	250	267
Total.....	8,068	9,411	10,517	8,149	8,831	10,087

¹ 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	1966 actual	1967 estimate	1968 estimate
Funds appropriated to the President.....	2	10	10
Department of Agriculture.....	24	27	31
Department of Commerce.....	4	4	4
Department of Defense:			
Military.....	1,788	1,886	2,001
Civil.....	6	6	6
Department of Health, Education, and Welfare.....	37	40	144
Department of the Interior.....	65	59	45
Department of Justice.....	4	4	4
Department of Labor.....	*	*	3
Department of State.....	2	6	4
Department of Transportation.....	26	27	28
Treasury Department.....	34	36	32
Atomic Energy Commission.....	130	109	98
General Services Administration.....	4	2	7
National Aeronautics and Space Administration.....	*	12	14
Veterans Administration.....	2	2	2
Other independent agencies.....	*	1	1
Trust funds.....	176	187	189
Total.....	2,302	2,418	2,624

*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 \$46 billion from 1966 to 1968 is largely for two functions—about \$18 billion for national defense, in part due to the buildup relating to Vietnam; and slightly over \$13 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	1966 actual	1967 estimate	1968 estimate
National defense.....	60,570	73,555	79,089
International affairs and finance.....	5,340	5,889	6,763
Space research and technology.....	5,934	5,612	5,316
Agriculture and agricultural resources.....	16,523	19,215	19,463
Natural resources.....	3,580	3,778	4,085
Commerce and transportation.....	12,382	13,229	13,900
Housing and community development.....	4,953	5,894	6,037
Health, labor, and welfare.....	32,689	38,929	46,241
Education.....	2,792	4,065	4,683
Veterans benefits and services.....	7,026	7,877	8,129
Interest.....	10,224	11,241	11,468
General government.....	2,606	2,773	2,899
Undistributed—special allowances.....		100	2,150
Total.....	164,619	192,156	210,222
The total is derived as follows:			
Administrative budget expenditures (table 14).....	106,978	126,729	135,033
Trust fund expenditures (tables 14 and B-4):			
Total of such transactions.....	34,864	40,882	44,507
Elimination of deposit funds included in total.....	520	159	122
Intragovernmental transactions (table A-4):			
Trust fund payments to the administrative budget.....	-120	-124	-116
Administrative budget payments to trust funds.....	-3,239	-4,900	-5,204
Receipts from the public netted in conventional totals:			
Receipts of public enterprise funds (table B-1).....	16,580	18,638	21,442
Receipts of trust revolving funds (table B-5).....	850	1,168	1,939
Reimbursements to appropriations and intragovernmental funds (table B-8).....	2,302	2,418	2,624
Substitution of annexed budgets:			
Gross expenditures of annexed budgets (table B-7).....	8,068	9,411	10,517
Elimination of net expenditures of Government-sponsored enterprises (included in table B-4).....	-2,184	-2,224	-642
Total.....	164,619	192,156	210,222

BORROWING OTHER THAN FROM THE GENERAL FUND

The Tennessee Valley Authority has authority to borrow \$1,750 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 15 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	1966 actual	1967 estimate	1968 estimate	End 1968, estimate outstand- ing
Borrowing from the public:				
By public enterprise funds:				
Federal Housing Administration ¹	-83	74	32	453
Federal Farm Mortgage Corporation ¹	*	*	*	*
Home Owners Loan Corporation ¹	*	*	*	*
Tennessee Valley Authority.....	60	110	100	495
By trust funds:				
District of Columbia Armory Board ¹				20
Federal National Mortgage Association.....	1,472	1,434	823	5,526
By Government-sponsored enterprises:				
Banks for cooperatives.....	134	257	257	1,330
Federal intermediate credit banks.....	362	461	359	3,628
Federal land banks.....	596	552	434	5,088
Federal home loan banks.....	1,525	799	-606	6,465
Total, borrowing from the public.....	4,064	3,687	1,399	23,006
Borrowing from other funds:				
By public enterprise funds:				
Federal Housing Administration.....	-46	-15	-2	77
By Government-sponsored enterprise funds:				
Banks for cooperatives.....	24	18	18	64
Federal intermediate credit banks.....	29	40	41	127
Federal land banks.....	-22	76	191	271
Federal home loan banks.....	28	92	206	335
Total, borrowing from other funds.....	13	210	454	874
Total, debt issuances by Government enter- prises.....	4,077	3,898	1,853	23,880

Note.—Negative figures represent net retirement of debt.

*Less than one-half million dollars.

¹ 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 1968, estimate outstand- ing
	1966 actual	1967 estimate	1968 estimate	
Investment in Treasury issuances (public debt):				
By public enterprise funds:				
Housing and Urban Development:				
Federal Housing Administration.....	-93	13	52	560
Public Housing Administration.....	14			21
Federal National Mortgage Association.....	-4			2
Federal Savings and Loan Insurance Corpora- tion.....	204	181	318	2,016
Veterans Administration.....	37	52	60	301
Maritime Administration.....	*	*	3	7
By trust funds:				
Federal old-age and survivors insurance trust fund.....	-857	3,425	-140	21,194
Federal disability insurance trust fund.....	-413	391	8	1,861
Federal supplementary medical insurance trust fund.....		260	34	295
Federal hospital insurance trust fund.....	786	608	860	2,253
Unemployment trust fund.....	1,468	1,466	1,696	12,415
Railroad retirement accounts.....	154	274	178	4,521
Federal employees' funds.....	1,122	1,084	993	19,175
Highway trust fund.....	-28	582	570	1,390
Veterans life insurance funds.....	208	-19	169	7,201
District of Columbia municipal government funds.....	3	4	3	65
All other.....	71	-3	6	102
By Government-sponsored enterprises:				
Federal Deposit Insurance Corporation.....	227	230	256	3,829
Bank for cooperatives.....	3	-1	3	49
Federal intermediate credit banks.....	*	2	*	111
Federal land banks.....	*			100
Federal home loan banks.....	260	-159		1,800
By Exchange stabilization fund.....	387			643
Total, investments in Treasury issuances.....	3,549	8,389	5,069	79,911
Investments in issuances of other funds:				
By public enterprise funds:				
Liquidating programs.....	3			3
Federal Housing Administration.....	-36	-13	-2	74
Federal National Mortgage Association.....	80	75	77	259
By trust funds:				
Federal National Mortgage Association.....	-6	151	382	533
Veterans Administration.....	-25			
District of Columbia municipal government funds.....	-3	-2	-2	5
Total, investments in issuances of other funds.....	13	211	455	874
Total, investments in U.S. securities.....	3,562	8,600	5,523	80,785

Note.—Negative figures represent net reduction of investments.

*Less than one-half million dollars.

SPECIAL ANALYSIS C

CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

The buildup of military support for Vietnam operations and rising postal and other workloads will cause Federal civilian employment to rise in fiscal years 1967 and 1968. A thorough review and evaluation of employment requirements and stringent manpower utilization practices are being used to keep employment at the minimum required.

FULL-TIME PERMANENT CIVILIAN EMPLOYMENT

Civilian employment in full-time permanent positions is estimated to be 2,546,500 in June of this year. This is an increase of 130,000 over the estimate carried in the 1967 budget 1 year ago. The major factors accounting for the increase are:

First, the increased Defense and civilian agency activities directly associated with our commitments in southeast Asia, which are up by 110 thousand civilian employees.

Second, the unprecedented mail volume accompanying the current high level of economic activity which is substantially greater than anticipated last January, resulting in a rise of 25,000 employees.

Aside from increases for these two purposes, full-time permanent civilian employment at the end of June 1967 is now estimated to be less than projected in last January's budget, as shown in the following table:

	June 1967		
	Estimate a year ago	Current estimate	Change
Department of Defense, Military and military assistance.....	1,073,000	1,180,500	107,500
Civilian agency direct support for Southeast Asia:			
State Department and Agency for International Develop- ment.....	6,400	7,800	1,400
Selective Service System.....	5,790	6,300	510
General Services Administration.....	4,350	4,500	150
United States Information Agency.....	1,000	1,200	200
Subtotal.....	1,090,540	1,200,300	109,760
Post Office Department.....	500,000	525,000	25,000
Other civilian employment:			
Veterans Administration.....	150,850	149,300	-1,550
Department of Health, Education, and Welfare.....	99,010	95,900	-3,110
Department of Agriculture.....	82,850	84,400	1,550
Treasury Department.....	80,900	80,900	-----
Department of the Interior.....	58,640	60,200	1,560
General Services Administration.....	32,400	32,100	-300
Department of Commerce.....	25,650	25,100	-1,550
Department of Housing and Urban Development.....	15,350	14,200	-1,150
All other.....	274,510	277,200	2,690
Subtotal, other civilian employment.....	821,160	819,300	-1,860
Allowance for contingencies.....	4,800	1,900	-2,900
Total.....	2,416,500	2,546,500	130,000

Full-time permanent civilian employment is estimated to rise by 68,500 to a total of 2,615,000 in the fiscal year 1968. Of this total labor force, almost half will work in the military functions of the Department of Defense (including military assistance). Another one-fifth will be employed by the Post Office Department. These two agencies, therefore, account for two-thirds of the Federal civilian full-time permanent employment.

The largest remaining Federal employers are the Veterans Administration with 6 percent, Health, Education, and Welfare with 4 percent, and Treasury and Agriculture with more than 3 percent each.

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

Agency	As of June			Increase 1968 over 1967
	1966 actual	1967 estimate	1968 estimate	
Department of Defense, Military and military assistance.....	1,052,998	1,180,500	1,204,900	24,400
Civilian agency direct support for Southeast Asia: State Department and Agency for International Development.....	4,791	7,800	8,450	650
Selective Service System.....	6,969	6,300	6,300	-----
General Services Administration.....	3,789	4,500	4,550	50
United States Information Agency.....	900	1,200	1,210	10
Subtotal.....	1,069,447	1,200,300	1,225,410	25,110
Post Office Department.....	489,898	525,000	539,300	14,300
Other civilian employment:				
Veterans Administration.....	147,634	149,300	154,200	4,900
Department of Health, Education, and Welfare.....	91,650	95,900	99,800	3,900
Department of Agriculture.....	84,070	84,400	85,800	1,400
Treasury Department.....	80,176	80,900	83,200	2,300
Department of the Interior.....	59,432	60,200	62,100	1,900
General Services Administration.....	32,166	32,100	32,950	850
Department of Commerce.....	25,133	25,100	26,800	1,700
Department of Housing and Urban Development.....	14,009	14,200	15,400	1,200
All other.....	272,702	277,200	285,240	8,040
Subtotal other civilian employment.....	806,972	819,300	845,490	26,190
Allowance for contingencies.....	-----	1,900	4,800	2,900
Total.....	2,366,317	2,546,500	2,615,000	68,500

The most significant changes for 1968 compared with 1967 are shown in table C-1. Of the total increase of 26,190 for the civilian activities of the Government, excluding Post Office, 4,900 or 19% is for the Veterans Administration; 3,900 or 15% is for the Department of Health, Education, and Welfare; and 2,300 or almost 9% is for the Treasury Department.

The increase in the Veterans Administration is principally to provide staff for new hospitals being opened, new intensive care units, and other recently completed specialized treatment facilities in veterans

hospitals. It will result in substantially improving medical care for veterans.

About one-third of the 1968 increase in employment for the Department of Health, Education, and Welfare is attributable to recently enacted legislation for medical insurance for the elderly. The remaining two-thirds is principally for direct medical care in public health and Indian hospitals, increased control and enforcement over dangerous drugs, air pollution, and other toxic substances, and aids to education. The Social Security Administration is achieving a productivity improvement of 2% per year through increased efficiency of operations, with a saving of 400 man-years in fiscal year 1968.

In addition—

- The increase in Treasury is primarily for rising workloads in Internal Revenue operations due to a 2.3% increase in the number of tax returns.
- The increase in the Department of Commerce is principally for expanded weather observation and forecasting capabilities of Environmental Science Services Administration, further research at the National Bureau of Standards, and augmentation of the Patent Office staff in order to reduce the backlog of patent applications.
- The growth in the Department of the Interior is chiefly for the education of Indians on Government reservations; operation of new power facilities built with funds provided in earlier years; expanded efforts on water pollution control; and an anticipated increase of about 9% in visitors to the national parks.

TOTAL FEDERAL PERSONNEL

Almost nine-tenths of executive branch civilian employment consists of permanent full-time employees. The remainder is made up of part-time and intermittent workers, who are mostly employed in short-range or special projects or work of a purely seasonal nature.

In total, Federal Government personnel includes both civilian and military personnel. Adding the latter to the civilian employment figures shows a grand personnel total for the executive branch of approximately 5,793,000 for June 1966. In addition, the employment of the legislative and judicial branches in June 1966 was about 33,000.

	<i>As of June</i>		
	<i>1966 actual</i>	<i>1967 estimate</i>	<i>1968 estimate</i>
Civilian employment in the executive branch:			
Permanent full-time.....	2,366,317	2,546,500	2,615,000
Other than permanent full-time ¹	298,064	262,500	266,500
Military personnel:			
Department of Defense.....	3,091,552	3,386,818	3,464,302
Reimbursable details to other agencies.....	2,157	2,523	2,513
Department of Transportation (Coast Guard).....	35,289	35,812	36,239
Total executive branch personnel.....	5,793,379	6,234,153	6,384,554
Legislative and judicial personnel.....	32,692		
Total.....	5,826,071		

¹ Excludes summer workers under the President's Youth Opportunity Campaign and various merchant seamen on vessels under Federal shipping contracts.

GEOGRAPHICAL DISTRIBUTION OF 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 under 11% are located in the Washington, D.C., metropolitan area (including nearby Maryland and Virginia). An additional 6% are in foreign countries and in U.S. territories and possessions.

Table C-2. FEDERAL CIVILIAN EMPLOYMENT BY GEOGRAPHICAL LOCATION (as of June 1966)

Location	Total ¹	Location	Total ¹
Washington, D.C., metropolitan area.....	² 292,664	Oklahoma.....	51,626
Alabama.....	61,437	Oregon.....	22,866
Alaska.....	14,084	Pennsylvania.....	137,842
Arizona.....	24,131	Rhode Island.....	13,850
Arkansas.....	15,991	South Carolina.....	27,097
California.....	280,120	South Dakota.....	9,671
Colorado.....	39,064	Tennessee.....	42,847
Connecticut.....	17,158	Texas.....	136,389
Delaware.....	3,857	Utah.....	36,847
Florida.....	60,183	Vermont.....	3,078
Georgia.....	71,235	Virginia.....	³ 75,599
Hawaii.....	24,505	Washington.....	51,775
Idaho.....	7,730	West Virginia.....	12,235
Illinois.....	107,362	Wisconsin.....	23,668
Indiana.....	37,774	Wyoming.....	5,193
Iowa.....	17,475	Undistributed.....	⁴ -4,983
Kansas.....	21,095	Total United States.....	2,530,731
Kentucky.....	32,088	Outside United States:	
Louisiana.....	27,240	Territories and possessions.....	34,329
Maine.....	15,590	Foreign countries.....	⁵ 132,013
Maryland.....	³ 55,548	Total outside United States.....	166,342
Massachusetts.....	62,911	Total employment.....	2,697,073
Michigan.....	49,536	Legislative and judicial.....	-32,692
Minnesota.....	28,089	Total employment executive branch.....	2,664,381
Mississippi.....	18,996	Other than full-time permanent.....	-298,064
Missouri.....	60,202	Total full-time permanent employment, executive branch.....	2,366,317
Montana.....	10,427		
Nebraska.....	15,208		
Nevada.....	7,586		
New Hampshire.....	4,468		
New Jersey.....	61,731		
New Mexico.....	25,688		
New York.....	176,841		
North Carolina.....	33,216		
North Dakota.....	7,131		
Ohio.....	96,770		

¹ Distribution by State is partially estimated.

² Includes employees of the executive branch and of the legislative and judicial branches.

³ 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.

⁴ Includes various merchant seamen on vessels under Federal shipping contracts who are distributed by State of residence.

⁵ Includes 113,958 foreign nationals classified as Federal employees; excludes 128,549 foreign nationals working for Department of Defense under contract agreements, or other arrangements with foreign governments which provide for the furnishing of personal services.

PERSONNEL COMPENSATION AND BENEFITS

Estimates of the Federal payroll and related costs are shown in table C-3. Direct compensation includes regular pay, Sunday pay, and special pay for overtime, holiday, and standby time; differentials for nightwork and overseas 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; they also include cost-of-living and quarters allowances, uniform allowances (when paid in cash); and, in the case of the military personnel, they also include allowances for subsistence, reenlistment bonuses, and certain other cash payments.

Table C-3. ESTIMATED PERSONNEL COMPENSATION AND BENEFITS

[Fiscal years. In millions of dollars]

Description	1966	1967	1968 ¹
Total civilian personnel costs:			
Direct compensation.....	18,800	20,750	21,550
Personnel benefits.....	1,500	1,700	1,800
Total	20,300	22,450	23,350
Civilian personnel costs of trust and public enterprise funds:²			
Direct compensation.....	5,100	5,650	5,900
Personnel benefits.....	400	450	500
Total	5,500	6,100	6,400
Remaining personnel costs (i.e., excluding trust and public enterprise funds):			
Direct compensation.....	13,700	15,100	15,650
Personnel benefits.....	1,100	1,250	1,300
Total	14,800	16,350	16,950
MEMORANDUM			
Total military personnel costs:³			
Direct compensation.....	10,050	11,900	12,700
Personnel benefits.....	2,950	3,500	3,900
Total	13,000	15,400	16,600

¹ Excludes 1968 budget allowance of \$1 billion for military and civilian pay increases.² Includes annexed budget agencies.³ Excludes Reserve components.

The obligations to be incurred for civilian personnel compensation and benefits in 1968 are estimated at \$23 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 \$17 billion.

Government pay scales for "blue-collar" workers have for many years been subject to administrative adjustment to correspond to local prevailing rates 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. Pay scale changes effective in October 1962, January 1964, July 1964, October 1965, and July 1966 have resulted in significant progress toward the comparability standard set forth in the 1962 Salary Reform Act. The compensation figures reflect such pay 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 the rise in average grades and the resulting changes in average salary experienced over a number of preceding years. For the first time in a long period there was in 1965 no Government-wide change in average grade of Classification Act employees. This trend was continued during 1966 when at year's end the change in Government-wide average grade was slightly lower than in 1965. Average compensation showed only a slight advancement (apart from changes in pay scales), mostly due to merited within-grade salary advancements and necessary reclassifications of new positions in certain agencies.

CHANGE IN POSITION STRUCTURE

There have also been changes in the position structure which have affected the average salary and the total compensation. Chiefly, these are the result of changes in the character of the Government's workload and in the level of employee skills required to deal with it. For example, as a result of increasing specialization and greater emphasis on research and development, the number of engineers in the Federal service grew 61%, and the number of physical scientists 85%, in the period from 1954 through 1966. During this period, the Government's need for professional medical personnel rose 39% and for biological scientists, 52%. At the same time, the expanded efforts to reduce employment and to increase productivity—in many cases by shifting from manual to semi-automatic or automatic processing methods—have decreased the need for unskilled employees. These same trends have been occurring in private enterprise.

A recent analysis made by the Civil Service Commission shows the following changes in position structure of Classification Act employees between 1961 and 1966:

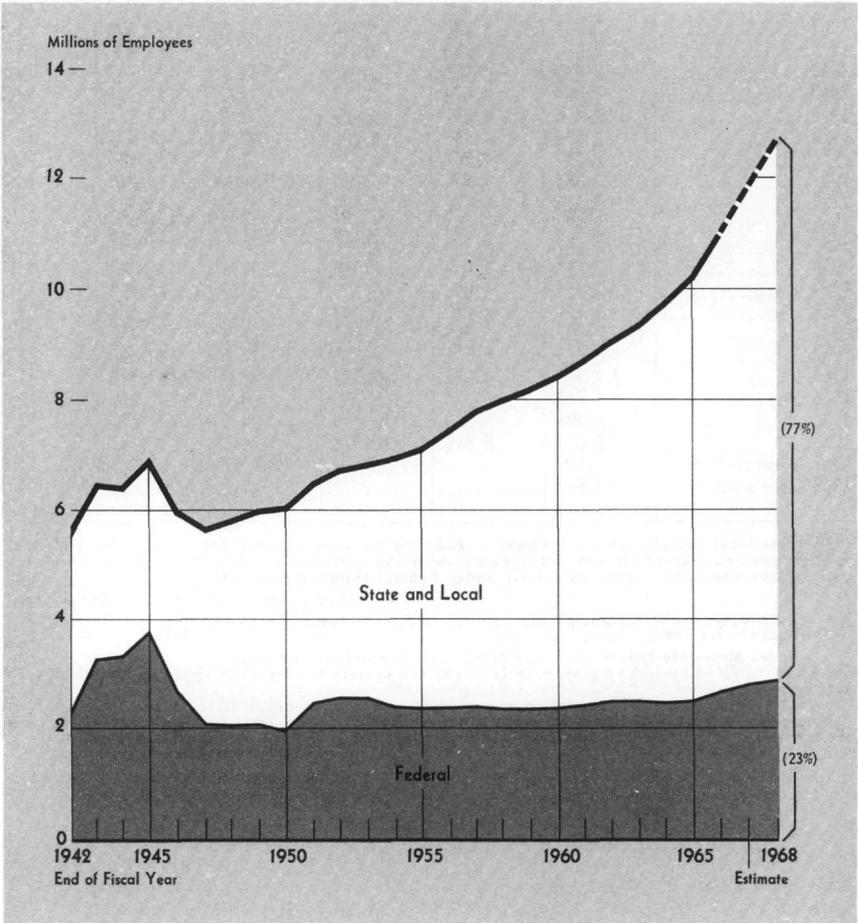
- Reduction in percentage of clerical and aide jobs (GS-1 to GS-6) from 53.2% to 48.8% of total employment.
- Increase in percentage of professional, technical and administrative jobs (GS-7 to GS-15) from 46.7% to 50.9% of total employment.
- Increase in GS-16 to GS-18 jobs from 0.1% to 0.3% of total employment.

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 1968, for example, the participants in the food stamp program will rise 25%; the lineal nautical miles surveyed by the Coast and Geodetic Survey will increase 90%; the num-

ber of passports applied for will rise 11%; takeoffs and landings at airports served by Federal towers will increase 13%; establishments with Federal meat inspectors will rise 4.5%; the number of pieces of mail delivered by the Post Office will be up 4.5%; and customs inspections of mailed packages will rise 71%. 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.

Government Civilian Employment



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 1942-68 is shown in table C-4.

Table C-4. GOVERNMENT EMPLOYMENT AND POPULATION, 1942-68

Year	Government employment				Population	
	Federal executive branch ¹ (thousands)	State and local governments (thousands)	All governmental units (thousands)	Federal as percent of all governmental units	Total United States (thousands)	Federal employment per 1,000 population
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.....	² 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.....	³ 2,490	6,834	9,324	26.7	189,417	13.1
1964.....	³ 2,469	7,236	9,705	25.4	192,119	12.9
1965.....	2,496	7,700	10,196	24.5	194,572	12.8
1966.....	2,664	8,314	10,978	24.3	196,842	13.5
1967 (estimated) ⁴	2,809	-----	-----	23.7	-----	14.1
1968 (estimated) ⁴	2,881	-----	-----	22.7	-----	14.3

¹ Covers total end-of-year employment in full-time permanent, temporary, part-time, and intermittent positions except for summer workers under the President's Youth Opportunity Campaign; and various merchant seamen on vessels under Federal shipping contracts:

	1966 actual	1967 estimate	1968 estimate
Youth Opportunity Campaign.....	56,780	60,604	62,018
Merchant seamen.....	4,983	11,083	11,136

² Includes piece-rate census workers employed for the decennial census.

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

⁴ An official projection of population and of State and local government employment for 1967 and 1968 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 (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		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Additions to Federal assets:						
Civil:						
Loans and financial investments.....	561	556	-953	2,226	2,805	1,622
Physical assets.....	2,750	1,878	2,550	25	26	30
National defense.....	16,891	21,618	24,284	*	15	-----
Additions to State, local, and private assets:						
Civil.....	1,398	1,922	2,553	5,723	5,497	4,014
National defense.....	11	9	13	1	1	*
Developmental expenditures:						
Civil.....	10,775	12,573	13,548	83	103	125
National defense.....	7,903	8,398	8,985	-----	-----	-----
Subtotal, investment and developmental type expenditures:						
Civil.....	15,485	16,929	17,698	8,056	8,431	5,791
National defense.....	24,805	30,025	33,281	2	16	*
Current expenses for aids and special services:						
Civil.....	18,513	22,675	22,047	1,443	1,805	1,894
National defense.....	1,052	1,009	827	751	1,115	1,363
Retirement and social insurance benefits—civil				24,586	29,001	35,006
Other services and current operating expenses:						
Civil:						
Interest.....	12,132	13,509	14,153	-----	-----	-----
Other.....	3,894	4,141	4,257	209	279	353
National defense.....	31,862	39,187	41,379	7	7	7
District of Columbia, deposit funds, and other unclassified items.....				580	962	822
Participation sales fund.....	-129	-80	-77	-----	-----	-----
Allowances for:						
Civilian and military pay increases.....			1,000	-----	-----	-----
Possible shortfall in assets sales.....			750	-----	-----	-----
Contingencies.....		100	400	-----	-----	-----
Interfund transactions	-635	-766	-682	-770	-734	-730
Grand total	106,978	126,729	135,033	34,864	40,882	44,507

*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 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. The net accumulations in the participation sales funds held for later distribution are another example. 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	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds			
ADDITIONS TO FEDERAL ASSETS			
Loans:			
Civil:			
To domestic private borrowers:			
Funds appropriated to the President: Economic opportunity loan fund.....	30	27	21
Department of Agriculture:			
Commodity Credit Corporation: Price support, supply and related programs.....	-703	-717	-516
Rural Electrification Administration: Loans.....	361	258	319
Farmers Home Administration:			
Direct loan account.....	*	-394	-474
Rural housing direct loan account.....	19	-135	-162
Rural housing insurance fund.....	33	17	-14
Agricultural credit insurance fund.....	80	-80	-20
Other.....	24	-22	-6
Other.....		*	1
Department of Commerce:			
Economic development assistance: Industrial development loans and guarantees.....	32	25	49
Other.....	6	-1	-1
Department of Health, Education, and Welfare:			
Office of Education:			
Higher educational activities.....	30	20	109
Defense educational activities.....	177	188	5
Higher education facilities loan fund.....		-44	-27
Other.....			1
Public Health Service and other.....	23	37	34
Department of Housing and Urban Development:			
Renewal and housing assistance:			
Housing for the elderly or handicapped.....	53	64	-19
College housing loans.....	151	-166	-730
Other.....	*	10	22
Mortgage credit:			
Federal Housing Administration fund.....	100	116	84
Federal National Mortgage Association:			
Management and liquidating functions.....	-114	-34	-232
Special assistance functions fund.....	-314	-72	191
Other.....	4	4	-4
Other.....	-3		
Department of Transportation: Civil supersonic aircraft development.....	99	170	90

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Loans—Continued			
Civil—Continued			
To domestic private borrowers—Continued			
Veterans Administration:			
Housing loans:			
Veterans direct loans.....	-666	-30	-123
Loan guarantee revolving fund.....	30	193	-345
Other.....	3	3	4
Federal Home Loan Bank Board.....	16	48	-25
Small Business Administration:			
Revolving fund.....	-146		
Disaster loan fund.....		-65	53
Business loan and investment fund.....		-109	-94
Other agencies.....	1	6	11
Total, to domestic private borrowers, civil.....	-675	-679	-1,799
To State and local governments:			
Department of Health, Education, and Welfare:			
Office of Education:			
Higher educational activities.....	25	38	27
Higher education facilities loan fund.....		-44	-27
Other.....		1	
Department of Housing and Urban Development:			
Renewal and housing assistance:			
Urban renewal fund.....	30	37	22
College housing loans.....	167	-88	-555
Other.....	-2	*	*
Metropolitan development:			
Public facility loans.....	29	-31	-28
Other.....	11	11	12
District of Columbia.....	24	55	53
Other agencies.....	33	55	53
Total, to State and local governments, civil.....	318	35	-443
To foreign borrowers:			
Funds appropriated to the President: Economic assistance.....	1,030	1,257	1,274
Export-Import Bank of Washington.....	-263	236	-236
Total, to foreign borrowers, civil.....	768	1,494	1,038
Total, loans, civil.....	411	850	-1,205
National defense:			
To domestic private borrowers: Other agencies.....	-1	*	-4
To foreign borrowers: Funds appropriated to the President:			
Military assistance.....	-60	24	
Total, loans, national defense.....	-61	25	-4
Total, loans.....	349	874	-1,209

* Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Other financial investments—civil:			
Investments in quasi-public institutions, trust funds, and international institutions:			
Funds appropriated to the President:			
Economic assistance.....	69	55	50
Inter-American Development Bank.....		-76	80
International Development Association.....		59	122
International Monetary Fund.....		-330	
Other.....		10	10
Department of Housing and Urban Development: Federal National Mortgage Association.....	92		
Other agencies.....	-10	-12	-10
Total, investments in quasi-public institutions, trust funds, and international institutions.....	151	-294	251
Public works—Sites and direct construction:			
Civil:			
Funds appropriated to the President:			
Economic opportunity program.....	50	65	7
Department of Agriculture:			
Forest Service:			
Forest protection and utilization.....	25	30	33
Forest roads and trails.....	65	83	97
Other.....	11	12	12
Other.....	-2	9	33
Department of Defense—Civil:			
Corps of Engineers:			
Construction, general.....	916	905	949
Flood control, Mississippi River and tributaries.....	58	59	50
Other.....	12	20	20
Department of Health, Education, and Welfare:			
Public Health Service.....	28	50	51
Other.....	13	14	18
Department of the Interior:			
Bureau of Indian Affairs:			
Construction.....	54	44	49
Other.....	19	17	19
National Park Service:			
Construction.....	26	28	26
Parkway and road construction.....	37	36	38
Bureau of Reclamation:			
Construction and rehabilitation.....	213	187	180
Upper Colorado River storage project.....	61	45	40
Other.....	4	6	4
Bonneville Power Administration: Construction.....			
Other.....	53	98	106
Other.....	44	46	45
Post Office Department.....	51	22	54
Department of State.....	36	40	31
Department of Transportation:			
Coast Guard: Acquisition, construction, and improvements.....	26	45	42
Federal Aviation Administration: Facilities and equipment and other.....	62	57	51
Other.....	10	4	

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Public works—Sites and direct construction—Continued			
Civil—Continued			
General Services Administration: Public buildings.....	230	210	239
National Aeronautics and Space Administration.....	572	280	160
Veterans Administration: Hospitals and other.....	84	66	79
Tennessee Valley Authority.....	156	204	211
Other agencies.....	71	99	76
Total, public works, civil.....	2,987	2,780	2,718
National defense:			
Department of Defense—Military.....	1,503	1,670	1,646
Atomic Energy Commission.....	176	130	155
Total, public works, national defense.....	1,679	1,800	1,801
Total, public works, sites and direct construction.....	4,666	4,583	4,520
Major commodity inventories:			
Civil:			
Department of Agriculture: Commodity Credit Corpora- tion: Agricultural commodities.....	-779	-1,358	-681
Department of the Interior.....	19	28	27
Total, major commodity inventories, civil.....	-760	-1,330	-654
National defense:			
Funds appropriated to the President: Expansion of defense production.....	-175	-125	-59
Other agencies.....	33	30	30
Total, major commodity inventories, national defense.....	-143	-95	-28
Total, major commodity inventories.....	-902	-1,425	-682
Major equipment:			
Civil:			
Post Office Department.....	69	104	127
Department of Transportation			
Coast Guard.....	47	37	51
Other.....	4	3	3
Other agencies.....	33	30	32
Total, major equipment, civil.....	153	174	213
National defense:			
Department of Defense—Military.....	14,488	19,091	21,768
Atomic Energy Commission.....	151	150	155
Total, major equipment, national defense.....	14,639	19,241	21,923
Total, major equipment.....	14,791	19,415	22,136

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Other physical assets—acquisition and improvement:			
Civil:			
Department of Agriculture.....	29	30	30
Department of Housing and Urban Development: Federal Housing Administration and other.....	273	135	148
Department of the Interior.....	67	76	91
Other agencies.....	1	14	3
Total, other physical assets, civil.....	371	254	273
National defense:			
Department of Defense—Military.....	68	71	79
Atomic Energy Commission.....	709	577	513
Total, other physical assets—acquisition and improve- ment, national defense.....	777	648	592
Total, other physical assets—acquisition and improvement.....	1,148	902	864
Total, additions to Federal assets.....	20,203	24,052	25,881
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS			
State and local assets:			
Civil:			
Funds appropriated to the President: Public works accel- eration.....	85	36	-----
Department of Agriculture:			
Watershed protection.....	50	51	55
Rural water and waste disposal systems grants.....	*	41	30
Other.....	20	27	27
Department of Commerce:			
Economic development assistance:			
Appalachian development highway system.....	9	42	81
Development facilities and other.....	6	42	119
Department of Defense—Civil: Corps of Engineers.....	18	14	34
Department of Health, Education, and Welfare:			
Office of Education:			
School assistance in federally affected areas.....	44	31	30
Higher educational activities.....	37	136	211
Libraries and community services.....	16	22	25
Vocational education.....	22	44	49
Public Health Service:			
Construction of health educational facilities.....	5	31	66
Hospital construction activities.....	86	94	102
Community mental health resources support.....	-----	-----	25
Other education and health.....	5	11	38
Department of Housing and Urban Development:			
Metropolitan development:			
Open space land programs.....	8	28	58
Grants for basic water and sewer facilities.....	-----	40	110
Urban mass transportation.....	15	55	105
Other metropolitan development.....	-----	3	22

* Less than one-half million dollars

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued			
State and local assets—Continued			
Civil—Continued			
Department of the Interior:			
Bureau of Outdoor Recreation:			
Land and water conservation.....	3	29	51
Federal Water Pollution Control Administration:			
Construction grants for waste treatment works and other.....	83	85	161
Other.....	4	17	29
Department of Transportation:			
Federal Aviation Administration:			
Grants-in-aid for airports.....	54	54	59
Federal Highway Administration:			
Forest highways and other.....	41	46	4
Other agencies.....		1	6
Total, State and local assets, civil.....	610	979	1,496
National defense: Department of Defense—Military.....	11	9	13
Total, State and local assets.....	621	988	1,508
Private assets—civil:			
Department of Agriculture:			
Soil conservation.....	131	134	141
Agricultural stabilization and conservation.....	382	454	463
Other.....	*	1	1
Department of Commerce: Merchant ships and other.....	78	71	80
Department of Health, Education, and Welfare:			
Office of Education:			
Higher educational activities.....	11	58	90
Construction of health educational facilities.....		13	28
Public Health Service:			
Hospital construction activities.....	104	114	116
Construction of health research facilities.....	26	38	38
Other.....	6	6	21
National Science Foundation.....	51	50	69
Other agencies.....	1	3	9
Total, private assets.....	788	943	1,057
Total, additions to State, local, and private assets.....	1,409	1,931	2,566

* Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
DEVELOPMENTAL EXPENDITURES			
Education, training, and health:			
Civil:			
Funds appropriated to the President: Economic opportunity program.....	587	892	1,119
Department of Agriculture: Extension service.....	90	93	97
Department of Health, Education, and Welfare:			
Office of Education:			
Elementary and secondary educational activities.....	815	1,220	1,423
School assistance in federally affected areas.....	355	382	383
Higher educational activities.....	46	255	370
Vocational education.....	102	167	175
Libraries and community services.....	29	92	120
Educational improvement for the handicapped.....	12	21	30
Defense educational activities.....	164	212	166
Other.....	38	72	101
Vocational Rehabilitation Administration:	176	284	341
Grants for rehabilitation services and facilities.....			
Research and training.....			
Other.....			
Public Health Service:			
Health manpower.....		1	22
Chronic diseases.....	48	70	36
Communicable disease activities.....	26	30	40
Air pollution.....	8	14	33
Community health.....	30	59	38
Indian health activities.....	66	72	74
National Institutes of Health.....	45	103	135
National Institute of Mental Health.....	70	82	107
Comprehensive health planning and services.....		4	108
Other.....	158	200	211
Welfare Administration:			
Grants for maternal and child welfare.....	151	205	264
Other.....	25	32	32
Other.....	15	18	25
Department of the Interior:			
Bureau of Indian Affairs:			
Education and welfare.....	89	90	101
Other.....	*		8
Federal Water Pollution Control Administration.....	23	17	25
Other.....	1	1	1
Department of Labor:			
Manpower Administration:			
Manpower development and training.....	275	276	295
Other.....	16	28	31
National Science Foundation.....	134	142	151
Other agencies.....	28	45	60
Total, education, training, and health, civil.....	3,622	5,178	6,120
National defense: Atomic Energy Commission.....	14	17	17
Total, education, training, and health.....	3,636	5,196	6,138

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
DEVELOPMENTAL EXPENDITURES—Continued			
Research and development:			
Civil:			
Department of Agriculture:			
Agricultural Research Service.....	132	148	154
Cooperative State Research Service.....	52	56	60
Forest Service.....	38	36	37
Other.....	21	21	20
Department of Commerce:			
National Bureau of Standards.....	32	25	31
Other.....	24	29	39
Department of Health, Education, and Welfare:			
Office of Education: Research and training and other.....	37	65	80
Vocational Rehabilitation Administration: Research and training and other.....	26	30	32
Public Health Service:			
National Institutes of Health.....	536	630	662
National Institute of Mental Health.....	94	114	112
Other.....	108	144	166
Other.....	18	23	25
Department of the Interior:			
Geological Survey.....	27	32	36
Bureau of Mines.....	26	21	31
Other.....	77	89	117
Department of Transportation:			
Federal Aviation Administration.....	42	37	37
Other.....	13	28	33
National Aeronautics and Space Administration.....	5,350	5,310	5,126
Veterans Administration.....	38	43	45
National Science Foundation.....	176	196	226
Other agencies.....	81	98	111
Total, research and development, civil.....	6,949	7,175	7,180
National Defense:			
Department of Defense—Military:			
Military personnel.....	288	292	277
Operation and maintenance.....	38	41	56
Procurement.....	80	60	50
Research, development, test, and evaluation.....	6,259	6,700	7,200
Other.....	10	11	13
Atomic Energy Commission.....	1,213	1,275	1,369
Military assistance.....	2	2	2
Total, research and development, national defense.....	7,890	8,381	8,967
Total, research and development.....	14,839	15,555	16,147
Engineering and natural resource surveys—civil:			
Department of Commerce.....	28	24	27
Department of Defense—Civil.....	21	25	32
Department of Housing and Urban Development.....	20	23	32
Department of the Interior:			
Geological Survey.....	46	47	49
National Park Service.....	31	35	39
Other.....	28	29	29

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
DEVELOPMENTAL EXPENDITURES—Continued			
Engineering and natural resource surveys—civil—Continued			
Other agencies.....	29	37	41
Total, engineering and natural resource surveys.....	203	219	248
Total, developmental expenditures.....	18,678	20,970	22,532
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES			
Agriculture—civil:			
Department of Agriculture:			
Consumer and Marketing Service:			
Removal of surplus agricultural commodities.....	118	146	175
Other.....	7	8	8
Foreign Agricultural Service.....	21	25	28
Agricultural Stabilization and Conservation Service:			
Expenses.....	126	128	151
Sugar Act.....	88	88	90
Other.....	*	*	*
Commodity Credit Corporation and special export programs:			
Price support and related programs.....	2,836	3,697	2,752
Sale of agricultural commodities for dollars on credit terms.....	233	315	399
Export credit sales.....		110	198
Transfer to supplemental stockpile.....	26	33	27
Sale for foreign currencies.....	1,138	984	906
National Wool Act.....	38	40	45
Other.....	7	-1	-2
Farmers Home Administration:			
Salaries and expenses.....	48	53	58
Direct loans and other.....	-37	-10	6
Other.....	85	60	70
Other agencies.....	18	8	6
Total, agriculture.....	4,750	5,685	4,916
Business:			
Civil:			
Department of Commerce:			
Patent Office.....	33	35	38
Maritime Administration: Ship operating subsidies and other.....	196	185	207
Other.....	54	59	71
Department of Defense—Civil:			
Corps of Engineers: Operation and maintenance.....	122	130	134
Other.....	-10	-13	-15
Post Office Department.....	218	504	-225
Department of Transportation:			
Coast Guard:			
Navigation aids and other.....	248	300	308
Federal Aviation Administration: Operations.....	496	510	535
Other.....	3	2	15
Civil Aeronautics Board: Payments to air carriers.....	75	66	63
Small Business Administration:			
Business loan and investment fund.....		48	63
Other.....	6	3	27

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Business—Continued			
Civil—Continued			
Other agencies.....	40	29	19
Total, business, civil.....	1,481	1,858	1,239
National defense: Funds appropriated to the President—Expansion of defense production.....	26	35	29
Total, business.....	1,506	1,893	1,268
Labor—civil: Other agencies.....	24	27	31
Homeowners and tenants—civil:			
Department of Housing and Urban Development:			
Renewal and housing assistance:			
Urban renewal.....	326	376	447
Low-rent public housing program.....	239	265	275
Other.....	-7	-3	34
Federal Housing Administration.....	-190	-129	-228
Other.....	2	3	6
Federal Home Loan Bank Board.....	-271	-178	-292
Other agencies.....	*	3	
Total, homeowners and tenants.....	99	337	243
Veterans—civil:			
Department of Health, Education, and Welfare: Payments for military service credits.....		210	105
Veterans Administration:			
General operating expenses.....	158	176	178
Medical care.....	1,182	1,264	1,328
Compensation and pensions.....	4,214	4,349	4,548
Readjustment benefits.....	42	366	417
Veterans insurance programs.....	-48	-62	-65
Other.....	37	35	47
Other agencies.....	29	31	32
Total, veterans.....	5,614	6,369	6,591
International aids:			
Civil:			
Funds appropriated to the President:			
Foreign economic assistance.....	1,035	1,096	1,099
Peace Corps.....	94	99	111
Other.....	*		
Department of Agriculture:			
Commodity Credit Corporation and special export programs: Commodities disposed of and other costs incurred in connection with donations abroad.....	413	410	494
Other.....	*		
Export-Import Bank of Washington.....	-122	-108	-129
Other agencies.....	26	30	31
Total, international aids, civil.....	1,445	1,528	1,607

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
International aid:—Continued			
National defense:			
Funds appropriated to the President: Military assistance.....	1,026	974	798
Total, international aids.....	2,471	2,502	2,405
Other aids and special services—civil:			
Funds appropriated to the President:			
Disaster relief.....	132	82	35
Economic opportunity program.....	332	582	700
Department of Agriculture:			
Special milk program.....	97	104	104
School lunch program.....	197	213	243
Food stamp program.....	69	138	193
Department of Health, Education, and Welfare:			
Public Health Service:			
Hospitals and medical care.....	55	57	54
Other.....	16	28	13
Social Security Administration: Health insurance for the aged.....		950	931
Welfare Administration:			
Grants to States for public assistance.....	3,528	3,926	4,153
Assistance to refugees in the United States.....	12	19	28
Other.....	4	5	5
Other.....	27	37	52
Department of Housing and Urban Development:			
Comprehensive city demonstration programs.....		6	150
Other.....	3	9	37
Department of the Interior: Bureau of Indian Affairs and other.....	58	57	66
Post Office Department.....	543	567	574
Department of Transportation.....	2	43	1
Other agencies.....	25	49	82
Total, other aids and special services.....	5,099	6,873	7,420
Total, current expenses for aids and special services.....	19,565	23,685	22,875
OTHER SERVICES AND CURRENT OPERATING EXPENSES			
Repair, maintenance and operation of physical assets (excluding special services):			
Civil:			
Department of Agriculture: Forest Service.....	162	186	150
Department of Defense—Civil:			
Corps of Engineers.....	82	90	93
Other.....	*	*	*
Department of the Interior:			
Bureau of Land Management.....	27	35	28
National Park Service.....	28	30	32
Bureau of Reclamation.....	53	57	62
Bonneville Power Administration.....	16	-26	-28
Southeastern Power Administration.....	1	-25	-25
Other.....	27	24	27

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Repair, maintenance and operation of physical assets (excluding special services—Continued)			
Civil—Continued			
General Services Administration: Public buildings.....	302	300	324
Tennessee Valley Authority.....	-126	-162	-131
Other agencies.....	41	41	36
Total, repair, maintenance and operation, civil.....	614	551	568
National defense:			
Department of Defense—Military:			
Operation and maintenance.....	14,672	18,559	18,961
Family housing.....	140	145	153
Atomic Energy Commission.....	140	121	120
Other agencies.....	*	*	*
Total, repair, maintenance and operation, national defense.....	14,953	18,825	19,234
Total, repair, maintenance and operation of physical assets.....	15,567	19,376	19,802
Regulation and control:			
The Judiciary.....	79	90	96
Department of Agriculture:			
Agricultural Research Service.....	66	71	70
Consumer and Marketing Service:			
Consumer protective, marketing, and regulatory programs.....			
Other.....			
Other.....	72	83	76
Department of Health, Education, and Welfare:			
Food and Drug Administration.....	35	42	42
Other.....	*	*	*
Department of Justice:			
Legal activities and general administration.....	67	81	82
Federal Bureau of Investigation.....	168	188	186
Immigration and Naturalization Service.....	75	79	80
Federal prison system.....	54	59	59
Other.....			19
Treasury Department.....	101	108	112
Department of Transportation:			
Coast Guard.....	35	38	39
Federal Aviation Administration.....	40	43	45
Other.....	*	*	
Interstate Commerce Commission.....	27	27	24
National Labor Relations Board.....	28	31	32
Other agencies.....	128	136	140
Total, regulation and control.....	976	1,076	1,103

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration:			
Civil:			
International activities:			
Department of State:			
Administration of foreign affairs	189	199	203
International organizations and conferences	100	107	115
Educational exchange	55	52	50
Other	2	2	2
United States Information Agency	160	166	177
Other agencies	4	4	3
Total, international activities	510	530	552
Federal financial activities:			
Legislative branch: General Accounting Office	46	50	53
Treasury Department:			
Bureau of Accounts	32	33	34
Bureau of the Public Debt	50	51	51
Internal Revenue Service	611	655	681
Other	32	11	14
Other agencies	5	5	5
Total, Federal financial activities	776	804	838
Other direct Federal programs:			
Legislative branch	155	179	189
Department of Commerce:			
Environmental Science Services Administration	95	97	118
Other	2	5	8
Department of Defense—Civil	48	61	65
Treasury Department: Claims, judgments, and private relief acts and other	39	24	5
General Services Administration	48	157	124
Civil Service Commission	25	23	24
Other agencies	48	57	59
Total, other direct Federal programs	462	606	594
Retirement, unemployment, and accident compensation for Federal employees:			
Department of Labor:			
Unemployment compensation for Federal employees	95	65	65
Employees compensation claims and expenses	49	56	55
Department of Transportation: Coast Guard: Retired pay	41	41	48
Civil Service Commission: Special payments and annuities	98	111	113
Other agencies	4	5	6
Total, retirement, unemployment, and accident compensation for Federal employees	286	277	287

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

Description	1966 actual	1967 estimate	1968 estimate
Administrative Budget Funds—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration—Continued			
Civil—Continued			
Shared revenues and grants-in-aid:			
Department of Agriculture: Forest Service.....	36	43	44
Department of the Interior:			
Bureau of Land Management.....	68	71	75
Other.....	47	52	54
Treasury Department: Internal Revenue Service.....	52	52	52
District of Columbia: Federal payment.....	44	60	71
Other agencies.....	24	20	21
Total, shared revenues and grants-in-aid.....	271	297	315
Total, other operation and administration, civil.....	2,305	2,514	2,586
National defense:			
Department of Defense—Military:			
Military personnel (excluding research and development).....	16,465	19,908	21,546
Family housing.....	267	284	302
Civil defense.....	65	75	75
Other.....	51	28	161
Selective Service System.....	54	60	58
Other agencies.....	6	6	2
Total, other operation and administration, national defense.....	16,909	20,362	22,145
Total, other operation and administration.....	19,214	22,876	24,731
Interest:			
On the public debt.....	12,014	13,400	14,050
Other interest:			
On refunds:			
Treasury Department.....	104	93	87
General Services Administration.....	*	*	*
On uninvested funds, Treasury Department.....	14	15	15
Total, other interest.....	118	109	103
Total, interest.....	12,132	13,509	14,153
Total, other services and current operating expenses.....	47,888	56,836	59,788
UNCLASSIFIED			
Participation sales fund.....	-129	-80	-77
Allowances for:			
Civilian and military pay increases.....			1,000
Possible shortfall in asset sales.....			750
Contingencies.....		100	400
Interfund transactions.....	-635	-766	-682
Total, unclassified.....	-764	-746	1,391
Total, administrative budget funds.....	106,978	126,729	135,033

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Trust Funds			
(Includes deposit funds and Government-sponsored enterprises)			
ADDITIONS TO FEDERAL ASSETS			
Loans—civil: To domestic private borrowers:			
Department of Health, Education, and Welfare:			
Federal old-age and survivors insurance.....		100	
Federal hospital insurance.....		50	
Department of Housing and Urban Development: Secondary market operations.....	1,607	1,454	855
Department of Labor: Unemployment trust fund.....		100	
Veterans Administration: Life insurance funds.....	44	139	38
Civil Service Commission: Civil service retirement and dis- ability.....		100	
Farm Credit Administration:			
Banks for cooperatives.....	154	276	272
Federal intermediate credit banks.....	391	500	400
Railroad Retirement Board: Railroad retirement account.....		50	
Other agencies.....	3	-2	-1
Total, loans to domestic private borrowers.....	2,200	2,768	1,564
Public works—sites and direct construction:			
Civil:			
Department of Defense—Civil: Corps of Engineers and other.....	23	26	28
Other agencies.....	4	11	30
Total, public works—sites and direct construction.....	27	37	58
Major equipment:			
National defense: Department of Defense—Military.....	1	15	
Other physical assets—acquisition and improvement—civil:			
Department of Agriculture: Forest Service.....	24	26	30
Other agencies.....	*	*	
Total, other physical assets—acquisition and improve- ment.....	25	26	30
Total, additions to Federal assets.....	2,252	2,846	1,652
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS			
State and local assets—civil:			
Department of Transportation: Highway trust fund and other.....	3,856	3,820	3,789
Private assets:			
Civil:			
Farm Credit Administration: Federal land banks.....	574	628	625
Federal home loan banks.....	1,293	1,050	-400
Total, private assets, civil.....	1,867	1,678	225

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Trust Funds—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued			
Private assets—Continued			
National Defense: Atomic Energy Commission.....	1	1	*
Total, private assets.....	1,868	1,679	225
Total, additions to State, local, and private assets.....	5,724	5,499	4,014
DEVELOPMENTAL EXPENDITURES			
Education, training, and health—civil.....	2	19	19
Research and development—civil:			
Department of Transportation: Highway trust fund and other.....	75	76	91
Other agencies.....	4	4	6
Total, research and development, civil.....	79	80	97
Engineering and natural resource surveys—civil.....	3	3	8
Total, developmental expenditures.....	83	103	125
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES			
Agriculture—civil.....	1	2	1
Business—civil:			
Department of Commerce:			
Maritime Administration.....	5	36	35
Other.....	7	7	6
Federal Deposit Insurance Corporation.....	-227	-230	-256
Other agencies.....	*	*	2
Total, business, civil.....	-215	-187	-213
Labor—civil: Department of Labor: Unemployment trust fund.....	523	571	604
Homeowners and tenants—civil:			
Department of Housing and Urban Development: Secondary market operations.....	-38	-20	-20
Other agencies.....	1	*	*
Total, homeowners and tenants, civil.....	-37	-20	-21
Veterans—civil:			
Veterans Administration: Life insurance funds and other.....	514	637	551
Other agencies.....	7	8	8
Total, veterans, civil.....	521	644	559
International aids:			
Civil: Other agencies.....	10	9	10
National defense: Funds appropriated to the President: Military assistance advances.....	751	1,115	1,363
Total, international aids.....	761	1,124	1,373

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Trust Funds—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Other aids and special services—civil:			
Department of Health, Education, and Welfare:			
Federal old-age and survivors insurance: Operating expenses.....	253	341	358
Federal disability insurance: Operating expenses.....	189	92	106
Health insurance: Operating expenses.....	64	220	220
Other.....	*	*	*
Department of Transportation: Federal Highway Administration:			
Highway trust fund and other.....	35	42	57
Highway beautification.....			133
Department of the Interior:			
Indian tribal funds.....	84	72	62
Other.....	3	3	3
Other agencies.....	12	14	14
Total, other aids and special services.....	640	785	954
Total, current expenses for aids and special services.....	2,194	2,920	3,256
RETIREMENT AND SOCIAL INSURANCE BENEFITS			
Insurance benefits—civil: Department of Health, Education, and Welfare:			
Federal old-age and survivors insurance.....	18,071	18,964	23,591
Federal disability insurance.....	1,721	1,845	2,242
Health insurance.....		3,256	3,945
Total, insurance benefits.....	19,793	24,065	29,778
Unemployment benefits—civil: Department of Labor: Unemployment trust fund.....			
	2,062	1,894	1,848
Other retirement and social insurance benefits:			
Civil Service Commission: Civil Service retirement and disability.....	1,528	1,782	1,953
Railroad Retirement Board:			
Railroad retirement account.....	1,194	1,239	1,390
Other.....		9	23
Other agencies.....	10	12	13
Total, other retirement and social insurance benefits, civil.....	2,731	3,042	3,380
Total, retirement and social insurance benefits.....	24,586	29,001	35,006
OTHER SERVICES AND CURRENT OPERATING EXPENSES			
Repair, maintenance and operation of physical assets (excluding special services)—civil.....			
	2	3	3
Regulation and control—civil:			
Department of Agriculture: Consumer and Marketing Service:			
Inspection and grading and other.....	27	29	30
Other agencies.....	5	5	5
Total, regulation and control.....	32	33	35

*Less than one-half million dollars.

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

Description	1966 actual	1967 estimate	1968 estimate
Trust Funds—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration:			
Civil:			
International activities:			
Department of Justice:			
Alien property fund, World War II.....	3	3	35
Other.....	*		1
Foreign Claims Settlement Commission: War claims fund.....	5	91	147
Other agencies.....	3	7	9
Total, international activities.....	11	101	192
Federal financial activities.....	*	*	*
Other direct Federal programs:			
Civil Service Commission:			
Civil Service retirement and disability funds.....	158	163	162
Health benefits and life insurance fund.....	-16	-53	-66
Other.....			
Other agencies.....	2	3	3
Total, other direct Federal programs.....	144	113	99
Shared revenues and grants-in-aid.....	20	28	25
Total, other operation and administration, civil.....	176	243	316
National defense: Department of Defense—Military and other.....	7	7	7
Total, other operation and administration.....	182	250	323
Total, other services and current operating expenses.....	216	286	361
UNCLASSIFIED			
Payments to other trust funds:			
Federal old-age and survivors insurance.....	444	532	477
Federal disability insurance.....	25	28	21
Alien property fund, World War II.....	150		27
Unemployment trust fund.....	82	82	82
Federal National Mortgage Association:			
Secondary market operations.....	-92		
Participation sales fund.....		-151	-393
Railroad retirement account.....	41	55	85
Payment to general fund: Unemployment trust fund.....	21	8	
District of Columbia.....	430	561	635
Advances from District of Columbia.....	*	7	10
Deposit funds.....	-520	-159	-122
Interfund transactions.....	-770	-734	-730
Total, unclassified.....	-190	228	92
Total, trust funds.....	34,864	40,882	44,507

*Less than one-half million dollars.

SPECIAL ANALYSIS E

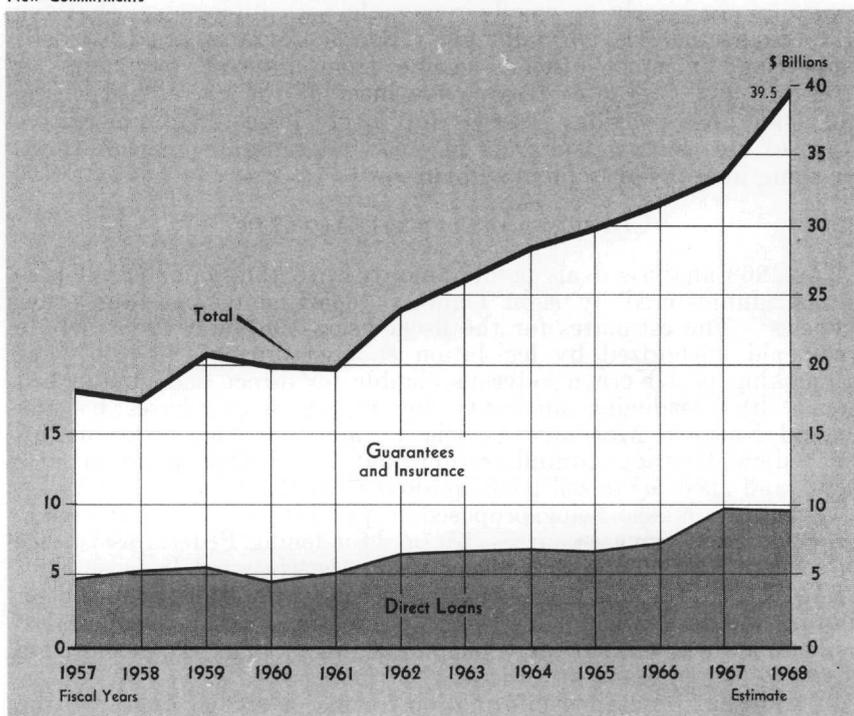
FEDERAL CREDIT PROGRAMS

INTRODUCTION

Federal credit aids—direct loans and insurance or guarantees of private loans—play a major role in Government programs for: (a) improvement of housing and encouragement of homeownership; (b) development of agricultural and other natural resources; (c) assistance to economic development and military preparedness abroad; (d) promotion of business, especially exports, transportation, and small business generally; (e) redevelopment of communities and regions; and (f) aid to higher education.

Major Federal Credit Programs

New Commitments



The overall level of Federal credit assistance has been growing because of broadening by the Congress of existing programs and initiation of new programs to meet emerging needs. 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. Moreover, as private investors accumulate experience with ongoing programs, they often refinance outstanding Federal loans or directly finance the new credit requirements of borrowers.

Federal credit programs help borrowers to help themselves. 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; technical aids to help underdeveloped countries plan and construct basic transportation systems; or management advice to help rural residents plan, develop and operate their farms economically and productively.

As a general rule, these programs supplement, rather than substitute for, private credit. Some provide a type of credit not otherwise generally available to important groups of borrowers—or share in risks which private lenders initially cannot reasonably be expected to undertake. Several make credit available on terms more liberal than are generally available otherwise, e.g., longer maturities, smaller downpayments or lower interest rates.

Unlike most other programs, Government expenditures on credit programs are largely or wholly repayable with interest, so that the ultimate net cost is normally low. Some programs are fully self-supporting; in most others, income from interest payments or insurance and guarantee fees covers most of the current expenses, and sometimes provides reserves for future losses. Administrative expenses are usually paid from income, but separate appropriations are sometimes made to finance them.

COVERAGE OF SPECIAL ANALYSIS

The 1968 analysis deals predominantly with the major credit programs administered by eight Cabinet departments and four other agencies. The estimates for the fiscal years 1967 and 1968 include credit aid authorized by legislation enacted during the past year (a) making post-Korean veterans eligible for direct and guaranteed loans; (b) broadening authority for mortgage purchases by the Federal National Mortgage Association and mortgage insurance by the Federal Housing Administration; and (c) authorizing six departments and agencies to sell participations in pools of loans.¹

Legislation is also being proposed to provide additional financing, primarily from private sources, by (a) broadening Federal assistance for student loans made by colleges under the National Defense Education Act; (b) revising the formulas governing interest rates on college housing and academic facility loans; (c) creating two new cooperative banks for rural electric and telephone loans; and (d) authorizing federally-insured loans to Indians.

In addition to detailed information for major credit programs, the analysis includes (in tables E-2 and E-3) the total amounts of outstanding loans and guarantees and of gross disbursements and repayments for numerous other credit programs administered by ten departments and two other agencies. These account for about 0.9% of total outstanding direct and guaranteed loans in 1968.

¹ See summary on pp. 68-70 for further details.

The programs shown in tables E-1, E-2, E-4, and E-5 are limited to those administered by wholly-owned Government agencies. Table E-3 on disbursements and repayments, however, includes data also for credit programs of mixed-ownership corporations and trust funds. Table E-6 shows outstanding loans for these and other quasi-public agencies.

The analysis excludes borrowing from the Treasury by these and other agencies, whether for loans or for other purposes.

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	1966 actual		1967 estimate		1968 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
Office of Economic Opportunity.....	32	-----	34	-----	32	-----
Department of Agriculture:						
Commodity Credit Corporation.....	14	1,521	18	1,639	18	1,233
Rural Electrification Administration.....	413	-----	454	-----	515	-----
Farmers Home Administration.....	477	550	452	800	490	965
Department of Commerce:						
Economic Development Administration.....	86	4	79	13	77	11
Maritime Administration.....	7	97	-----	72	-----	85
Department of Defense: Military assistance credits.....	121	10	62	2	64	-----
Department of Health, Education, and Welfare:						
Office of Education.....	290	-----	404	9	393	465
Public Health Service.....	22	-----	38	-----	34	15
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	644	1,840	1,525	2,880	1,127	4,750
Federal Housing Administration.....	364	14,133	700	10,970	362	15,234
Public housing program.....	169	567	104	746	136	873
College housing program.....	367	-----	345	-----	330	-----
Urban renewal program.....	206	796	183	689	200	713
Other major programs.....	162	-----	157	-----	196	-----
Department of Interior: Reclamation loans.....	12	-----	13	-----	15	-----
Department of State: Agency for International Development.....	1,670	31	1,565	131	1,849	175
Treasury Department: Loans to District of Columbia.....	71	-----	77	-----	84	-----
Veterans Administration.....	412	2,619	505	3,405	516	3,189
Export-Import Bank of Washington.....	1,149	1,953	2,603	2,191	2,684	2,257
Small Business Administration.....	507	147	494	104	614	200
Allowance for possible shortfall in participation sales.....	-----	-----	-----	-----	-----	-750
Total by type of assistance.....	7,195	24,268	9,812	23,651	9,736	29,415
Grand total.....	31,463	-----	33,463	-----	39,151	-----

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 \$9.7 billion estimated for direct loans in 1968 are slightly less than the revised estimate for 1967, but \$2.5 billion higher than the actual commitments made in 1966. The largest increases for the 2-year period are for loans to foreign borrowers by the Export-Import Bank and for housing mortgage purchases by the Federal National Mortgage Association. These, together with loans by the Agency for International Development, account for about 60% of new commitments anticipated in 1968. The balance will be divided among 17 other major credit programs.

Guarantees and insurance.—New commitments for guarantees and insurance of private loans are now estimated to decline from \$24.3 billion in 1966 to \$23.7 billion in 1967, but will jump to an estimated \$29.4 billion in 1968. Roughly half of the total new commitments each year are for housing loans insured by the Federal Housing Administration. The sharp fluctuations in the level of housing activity financed by such loans account for the bulk of the year-to-year changes in the Government-wide total of guarantee and insurance commitments.

In addition, guarantees by the Federal National Mortgage Association and the Export-Import Bank of certificates of participation in pools of loans will increase from \$2.6 billion in 1966 to \$5.0 billion in 1968, in line with the expanding volume of participation sales planned. Other substantial increases in guarantee commitments are anticipated for the Veterans Administration, the Farmers Home Administration, the Office of Education, and the public housing program.

Overlapping commitments.—Total estimated new commitments for all major credit programs in 1968 of \$39.2 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 loans guaranteed or made by other Federal agencies, and (b) commitments under the public housing program 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 1968, these will total \$148.7 billion.

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	1966 actual		1967 estimate		1968 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
Office of Economic Opportunity.....	46		71		90	
Department of Agriculture:						
Commodity Credit Corporation.....	1,376	855	631	675	83	1,225
Rural Electrification Administration.....	4,274		4,532		4,851	
Farmers Home Administration.....	2,142	1,009	1,538	1,844	872	2,720
Department of Commerce:						
Economic Development Administration.....	162	4	208	18	279	30
Maritime Administration.....	110	452	101	422	92	510
Department of Defense: Military assistance credits.....	45	36	61	30	57	24
Department of Health, Education, and Welfare:						
Office of Education.....	753		900	9	977	473
Public Health Service.....	36		73		107	15
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	1,722	2,110	1,640	4,810	1,605	9,380
Federal Housing Administration.....	633	52,967	719	54,467	791	56,962
Public housing program.....	58	5,413	57	5,945	57	6,612
College housing program.....	2,244		1,991		706	
Urban renewal program.....	222	1,660	256	1,975	276	2,261
Other major programs.....	427		479		461	
Department of Interior: Reclamation loans.....	107		121		136	
Department of State: Agency for International Development.....	9,812	178	11,361	336	12,969	544
Treasury Department:						
Loans to District of Columbia.....	161		213		263	
Foreign loans.....	3,725		3,435		3,351	
Veterans Administration.....	1,013	30,970	1,176	30,557	709	29,619
Export-Import Bank of Washington.....	2,227	3,168	2,463	3,926	2,227	4,937
Small Business Administration.....	972	159	784	275	742	379
Allowance for possible shortfall in participation sales.....					750	-750
Total by type of assistance:						
Major agencies or programs.....	32,267	98,981	32,810	105,289	32,451	114,941
Other agencies or programs.....	730	244	993	250	1,076	232
All agencies.....	32,997	99,225	33,803	105,539	33,527	115,173

The level of outstanding direct loans of wholly-owned Federal agencies will be relatively stable, with a net rise of \$0.5 billion during the 2 years, despite continued increases in certain programs. Outstanding direct loans held by the Agency for International Development are expected to grow by over \$3 billion over the 2-year period. Substantial increases are also anticipated for rural electrification and telephone loans and for several other programs.

In all other large direct loan programs reductions will occur in outstanding portfolios—mainly because of the expanded program of sales of participations in pools of loans. The largest net reductions in the 2-year period will be concentrated in college housing loans and in direct loans of the Commodity Credit Corporation and the Farmers Home Administration.

As the direct loan portfolio levels off, the increase in outstanding Federal guarantees and insurance of private loans will accelerate, amounting to almost \$16 billion over the 2-year period. About half of this net increase represents guarantees of participations in pools of loans administered by the Federal National Mortgage Association and the Export-Import Bank. Another quarter is the net expansion in the mortgage and property loan insurance of the Federal Housing Administration. Other substantial increases in guarantees are forecast for the Farmers Home Administration, the public housing and urban renewal programs of the Department of Housing and Urban Development, and the Federal student loan insurance program of the Office of Education.

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 1968, the Government's liability will be about \$14.3 billion lower than the amount of guaranteed loans outstanding under that program.

DISBURSEMENTS AND REPAYMENTS

Direct loans by Federal agencies have a major impact on the administrative budget whenever disbursements substantially exceed or fall short of repayments. Federal guarantees and insurance of private loans, on the other hand, ordinarily have only a minor effect on Federal expenditures and they help to minimize direct loans or to increase sales of such loans. Net expenditures for Federal credit assistance, in total, are hence only a minor fraction of the dollar amount of credit assistance provided.

During the 1956-65 decade, net expenditures for loans in the administrative budget averaged \$1.5 billion a year, producing a corresponding increase in the budget deficit or reduction in the budget surplus. Expanded efforts since then to refinance privately outstanding direct loans, primarily by sales of certificates of participation in pools of such loans, are substantially reducing budget expenditures for net credit outflow. In the consolidated cash budget for 1968, a net credit outflow of \$0.9 billion is estimated compared to \$2.3 billion in 1966 and \$3.3 billion in 1967. The administrative budget, which excludes trust funds, will show a net credit inflow of \$0.7 billion compared to net outflows of \$0.1 billion in 1966 and \$0.4 billion in 1967.

Since lending activity is not recorded in the Federal sector of the national income accounts, the increased emphasis upon sales of assets, by reducing net cash lending flow, has tended to bring both the administrative and cash budget totals into closer alignment with the payments shown in the Federal sector of the national income

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

Agency or program	1966 actual		1967 estimate		1968 estimate	
	Disbursements	Repayments	Disbursements	Repayments	Disbursements	Repayments
ADMINISTRATIVE BUDGET						
Office of Economic Opportunity.....	32	4	34	8	32	13
Department of Agriculture:						
Commodity Credit Corporation.....	1,537	2,241	1,656	2,373	1,251	1,768
Rural Electrification Administration.....	361	159	440	182	508	189
Farmers Home Administration.....	1,068	912	1,448	2,060	1,688	2,363
Department of Commerce:						
Economic Development Administration.....	45	9	58	12	169	96
Maritime Administration.....	8	10		9		9
Department of Defense: Military assistance credits.....	81	44	87	71	55	59
Department of Health, Education, and Welfare:						
Office of Education.....	233	1	259	101	291	201
Public Health Service.....	22		38		49	15
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	327	755	751	857	673	714
Federal Housing Administration.....	365	264	721	605	363	279
Public housing program.....	199	201	219	219	246	247
College housing program.....	344	26	375	628	330	1,615
Urban renewal program.....	285	255	625	588	371	349
Other major programs.....	103	12	150	94	180	194
Department of the Interior: Reclamation loans.....	18	1	14	1	16	1
Department of State: Agency for International Development.....	1,406	150	1,725	176	1,797	190
Treasury Department:						
Loans to District of Columbia.....	71	49	90	38	53	3
Foreign loans.....		35		291		97
Veterans Administration.....	461	1,097	525	362	540	1,008
Export-Import Bank of Washington.....	685	947	1,190	954	1,300	1,536
Small Business Administration.....	510	656	459	632	532	573
Other agencies or programs.....	226	78	355	93	193	104
Adjustments ¹	-401	-53	-483	-56	-553	-806
Total, administrative budget².....	7,986	7,853	10,736	10,298	10,084	10,817
TRUST FUNDS						
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	1,804	196	1,719	265	1,337	482
Veterans Administration.....	114	70	215	76	116	78
Farm Credit Administration:						
Banks for cooperatives.....	1,585	1,412	1,970	1,651	2,275	1,990
Federal intermediate credit banks.....	6,140	5,758	7,120	6,617	7,883	7,475
Other agencies.....	8	4	404	5	4	5
Total, trust funds.....	9,651	7,440	11,428	8,614	11,615	10,030
Total, budget and trust funds.....	17,637	15,293	22,164	18,912	21,699	20,847

¹ Allowance for possible shortfall in participation sales, transactions in foreign currencies, and sales credit extensions.

² Includes transactions reflected in both receipts and expenditures of the administrative budget.

accounts. The latter more accurately measures the direct impact of Government taxing and spending on the flow of national income and production.

As Table E-3 indicates, estimated gross loan disbursements in the administrative budget will be much higher in both 1967 and 1968 than in 1966, primarily because of increases by the Export-Import Bank, the Farmers Home Administration, the Federal National Mortgage Association and the Agency for International Development. Repayments, however, will rise even more than disbursements, predominantly because of the increase in participation sales over the 2-year period.

PRIVATE PARTICIPATION IN FEDERAL CREDIT PROGRAMS

Despite the number and variety of Federal credit programs, they directly affect only a small fraction of the total volume of credit, both public and private. In fact, direct Government loans and guarantees of private loans to domestic private borrowers accounted for only about 10% of the estimated gross private debt of \$1,031 billion outstanding on June 30, 1966. Federal guarantees or insurance of private loans were responsible for most of the Federal assistance.

In recent years, and especially during the past 2 years, 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, either directly or through participation certificates.

The success demonstrated by the Export-Import Bank, the Veterans Administration, and the Federal National Mortgage Association in selling participations in their outstanding loans during 1962-65 led to the enactment of the Participation Sales Act of 1966. Under this act, five departments and agencies will set aside direct loans in a pool administered by the Federal National Mortgage Association as trustee. The Export-Import Bank will continue to sell participations in its own loans under separate authority.

The new law also makes possible for the first time inclusion in the pools of many loans which bear interest rates below current market levels. For this purpose the law authorizes appropriations, which, together with the interest on the loans in the pools, assure a level of return adequate to attract private investment. Such payments to cover interest insufficiencies do not introduce any significant additional budgetary costs. In effect, they substitute for costs already incurred, since interest received on these loans is less than the Treasury's borrowing costs.

Largely as a result of enactment of this legislation, sales of financial assets are expected to increase from the \$3.0 billion actually consummated in 1966 to \$3.9 billion in 1967 and \$5.3 billion in 1968. These figures exclude sales made as part of the usual process of

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

Agency or program	1966 actual		1967 estimate		1968 estimate	
	Direct sales	Participation sales	Direct sales	Participation sales	Direct sales	Participation sales
Department of Agriculture: Farmers Home Administration.....	55	-----	172	600	141	800
Department of Health, Education, and Welfare:						
Office of Education.....				100		1,200
Public Health Service.....						15
Department of Housing and Urban Development:						
Federal National Mortgage Association.....	6	605	-----	740	34	605
Federal Housing Administration.....	8					
College housing loans.....				600		1,600
Public facility loans.....	3			80		80
Housing for the elderly.....						100
Veterans Administration:						
Direct loan revolving fund.....	9	685	-----	154	10	250
Loan guarantee revolving fund.....	96	200	-----	106	40	600
Export-Import Bank of Washington.....	63	761	165	700	50	1,000
Small Business Administration.....	120	350	5	500		500
Allowance for possible shortfall in participation sales.....						-750
Total, by type of sale.....	360	2,601	342	3,580	275	5,000
Grand total.....	2,961		3,922		15,275	

¹ Includes \$100 million under proposed legislation.

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 1968, \$5.0 billion will be accomplished through sales of participations and \$275 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. For these and other reasons the 1968 budget totals assume that actual sales of participations in 1968 will be \$750 million less than the specific authorizations requested for such sales.

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 1966

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

¹ When commodity loan is repaid by forfeiting collateral, no interest is charged.

² On student loans, maturities begin when student leaves school and exclude periods of military or Peace Corps service.

³ 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.

⁴ Payable on demand.

Interest rates charged on direct loans vary 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 several 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. Frequently, these 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, however, interest rates

on insured loans are set below the market rate and a secondary market is provided to assure the willingness of the private lender to make the initial loans. The Federal Housing Administration, for example, 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 (currently 3%), and the Federal National Mortgage Association purchases all of such mortgages. In other cases, the Federal agency pays part of the interest costs necessary to obtain private financing, for example, for federally-insured student loans made by private lenders under the Higher Education Act of 1965 and for guaranteed certificates of participation under the Participation Sales Act of 1966.

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. Lenders can, safely, extend their loan maturities and borrowers can take advantage of lower periodic installments to acquire assets yielding income or tangible benefits over a long period of years.

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			
	1965 actual	1966 actual	1967 estimate	1968 estimate
Mixed ownership enterprises and trust funds:				
Farm Credit Administration:				
Banks for cooperatives.....	924	1,095	1,412	1,694
Federal intermediate credit banks.....	2,686	3,069	3,572	3,980
Department of Housing and Urban Development: Federal				
National Mortgage Association (Secondary market operations trust fund).....	2,069	3,718	5,243	6,143
Veterans Administration:				
National service life insurance fund.....	550	598	642	684
U.S. Government life insurance fund.....	88	84	79	75
Subtotal, mixed ownership and trust funds.....	6,317	8,564	10,948	12,576
Other major quasi-public credit programs:				
Farm Credit Administration: Federal land banks.....				
Federal Home Loan Bank Board: Federal home loan banks.....	4,058	4,725	5,291	5,841
Federal Reserve, Board of Governors: Federal Reserve banks.....	5,586	6,783	7,600	7,200
	710	530	(1)	(1)
Subtotal, other quasi-public credit programs.....	10,354	12,038	-----	-----
Total.....	16,671	20,602	-----	-----

¹ Estimates are not available.

Outstanding loans of mixed-ownership enterprises and trust funds will double in the 3-year period, rising from a total of \$6.3 billion in 1965 to an estimated \$12.6 billion by the end of the fiscal year 1968. Heavy net purchases of mortgages by the Secondary market operations trust fund of the Federal National Mortgage Association are primarily responsible for the large increase. In addition, the Federal intermediate credit banks and the banks for cooperatives are likewise experiencing unusually rapid increases in their portfolios.

Similarly, the Federal land banks and the Federal Home Loan banks, which are privately-owned, expect a net expansion of one-third in their outstanding loans during the 3-year period from \$9.6 billion in 1965 to \$13.0 billion at the end of 1968. Discounts, advances and acceptances of the Federal Reserve banks, however, were lower on June 30, 1966, than at the end of the previous year.

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. Office of Economic Opportunity

A. Economic Opportunity Amendments of 1966—Public Law 89-794

(1) Authorizes emergency low-interest loans up to \$300 for low-income families, and (2) transfers business loan authority to Small Business Administration.

II. Department of Agriculture

A. Amendments to the Bankhead-Jones Farm Tenant Act—Public Law 89-796

(1) Makes local nonprofit agencies eligible for rural renewal loans, and (2) broadens eligible purposes to include recreational facility development and protection.

III. Department of Health, Education, and Welfare

A. Allied Health Professions Personnel Training Act of 1966—Public Law 89-751

(1) Increases loan forgiveness for doctors practicing in low-income rural areas, (2) authorizes loans to colleges to finance student loans made under the Health Professions Educational Assistance Act and the Nurses Training Act and (3) makes such loans eligible for pooling and participation sales by the Federal National Mortgage Association.

B. Veterinary Medical Education Act of 1966—Public Law 89-709

Makes veterinary students eligible for student loans.

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

A. Participation Sales Act of 1966—Public Law 89-429

(1) Empowers six departments and agencies to pool direct loans and the Federal National Mortgage Association, as trustee, to sell guaranteed participations in such loans, (2) provides for an indefinite appropriation to cover any difference between principal and interest payments received on the pooled loans and the contractual payments owed to holders of participation certificates, (3) creates a revolving fund for the academic facility loan program of the Department of Health, Education, and Welfare, and (4) requires approval by the Secretary of Treasury of all other sales of financial assets.

B. Disaster Relief Act of 1966—Public Law 89-769

(1) Authorizes adjustment of terms on loans held by the Rural Electrification Administration, the Department of Housing and Urban Development, and the Veterans Administration for borrowers suffering losses in major natural disasters, (2) broadens insurance of loans for housing for displaced families by the Federal Housing Administration to include families displaced by such disasters, and (3) liberalizes authority of the Small Business Administration to lend for restoration of damaged facilities of privately-owned colleges and universities.

C. Demonstration Cities and Metropolitan Development Act of 1966—Public Law 89-754

(1) Extends land development mortgage insurance by the Federal Housing Administration and FNMA mortgage purchase authority to new communities, (2) authorizes FHA mortgage insurance to help finance group medical practice facilities, (3) authorizes loans and grants to Alaska for housing and related facilities for Alaskan residents, (4) authorizes mortgage relief for certain homeowners previously employed on or located near military installations closed since November 1964, and (5) makes numerous detailed revisions in existing mortgage insurance, mortgage purchase, public facility loan, and rural housing programs.

D. FNMA Amendments of 1966—Public Law 89-566

Provides new FNMA authority to purchase low-cost housing mortgages to stimulate credit for residential construction.

V. Department of Interior

A. Small Reclamation Projects Act Amendments—Public Law 89-553

Revises statutory interest formula on small reclamation loans.

VI. Departments of State and Agriculture

A. Food for Peace Act of 1966—Public Law 89-808

(1) Requires conduct of program in a manner to assure progressive transition, with certain exceptions, to dollar-repayable credit sales, (2) liberalizes, under certain circumstances, the credit terms extended to borrowers, and (3) excludes certain countries as credit recipients.

B. Foreign Assistance Act of 1966—Public Law 89-583

(1) Adds three new criteria for development loans, (2) authorizes the Agency for International Development to set minimum and maximum interest rates on guaranteed housing loans based on the current rate on loans insured by the Federal Housing Administration.

VII. Veterans Administration**A. Veterans Readjustment Benefits Act of 1966—Public Law 89-358**

(1) Extends regular veterans loan guarantee and direct loan benefits to post-Korean veterans and (2) revises statutory interest ceiling to correspond to comparable Federal Housing Administration-insured loans.

VIII. Farm Credit Administration**A. Amendment to Federal Farm Loan Act—Public Law 89-595**

Deletes interest ceiling on debentures issued by Federal intermediate credit banks.

SPECIAL ANALYSIS F

FEDERAL ACTIVITIES IN PUBLIC WORKS

Many types of structures are built by Federal, State, and local governments to provide needed public services and to carry on other governmental functions. This analysis brings together from various parts of the budget the new obligational authority and expenditures relating to Federal construction and federally aided State and local public works. The analysis also includes, as a separate tabulation, information on major Federal programs to assist construction by private cooperatives and nonprofit groups. Federal programs which affect the level of private construction, such as procurement, leases, loans, loan guarantees, and tax concessions, are not within the scope of this analysis.

Expenditures for Federal public works activities have been generally increasing over the years, as indicated in table F-1. They represent a significant portion of total Federal outlays. Direct Federal civil public works reached a \$3 billion peak in 1966 and are estimated to decrease in 1967 and 1968. Expenditures for national defense public works, which declined in the early 1960's, have increased since 1965, largely because of the needs resulting from the war in Vietnam. Grants to State and local governments are increasing in response to needs for roads, schools, pollution abatement, and hospitals. As a result of repayments and sales of participations in loans made in prior years, net loan expenditures for public works are expected to decrease from 1967 to 1968.

**Table F-1. FEDERAL EXPENDITURES FOR PUBLIC WORKS,
FISCAL YEARS 1959-68 (in millions of dollars)**

From budget accounts and trust funds

Year	Total Federal expenditures	Direct Federal construction			Grants	Loans (net)
		Total	Civil	Defense		
1959.....	6,684	3,653	1,521	2,132	2,889	143
1960.....	6,846	3,463	1,643	1,820	3,226	156
1961.....	6,823	3,758	1,878	1,880	2,915	149
1962.....	6,938	3,693	2,085	1,608	3,037	207
1963.....	7,196	3,704	2,321	1,383	3,302	190
1964.....	8,346	4,019	2,691	1,328	4,186	142
1965.....	8,886	4,152	2,800	1,352	4,567	167
1966.....	9,428	4,693	3,014	1,679	4,446	289
1967 estimate.....	9,296	4,620	2,820	1,800	4,701	-25
1968 estimate.....	9,119	4,577	2,776	1,801	5,009	-469

Note.—In this and the following tables, nonconstruction costs are excluded; proposed legislation is included for the years 1967 and 1968. Details may not add because of rounding.

DIRECT FEDERAL PUBLIC WORKS

Direct Federal public works are those projects built and owned by the Federal Government. They include complex multiple-purpose water resource developments providing flood control, navigation, water supply, and hydroelectric power; research facilities; public buildings; defense and space installations; and other structures. Budget expenditures for direct Federal projects approximate the value of the work put in place, and cumulative expenditures reflect the total Federal cost of the projects.

Table F-2 summarizes for the major Federal agencies direct Federal construction according to civil and defense purposes. Of the total \$2.8 billion for civil public works in 1968, expenditures by the Corps of Engineers will account for 37%. In the defense construction total of \$1.8 billion, the Department of the Army accounts for \$638 million, or 35%.

Table F-2. DIRECT FEDERAL PUBLIC WORKS: EXPENDITURES AND 1968 NEW OBLIGATIONAL AUTHORITY, BY AGENCY (in millions of dollars)

From budget accounts and trust funds

Type of program and agency	Expenditures			New obligational authority, 1968 estimate
	1966 actual	1967 estimate	1968 estimate	
Civil public works:				
Office of Economic Opportunity.....	50	65	7	6
Forest Service.....	101	125	142	196
Corps of Engineers—Civil.....	997	989	1,025	1,021
Public Health Service.....	29	50	52	33
Bureau of Indian Affairs.....	73	62	68	63
National Park Service.....	64	64	65	59
Bureau of Reclamation.....	278	238	224	217
Bonneville Power Administration.....	54	99	107	119
Post Office Department.....	51	22	54	48
Coast Guard.....	26	47	42	37
Federal Aviation Administration.....	62	57	51	32
General Services Administration.....	230	210	239	133
National Aeronautics and Space Administration.....	572	280	160	54
Veterans Administration.....	84	66	79	53
Tennessee Valley Authority.....	156	204	211	42
Other.....	187	242	250	152
Subtotal, civil public works.....	3,014	2,820	2,776	2,265
National defense public works:				
Army.....	329	514	641	592
Navy.....	452	436	342	657
Air Force.....	527	626	581	631
Interservice activities.....	195	93	82	511
Civil defense centers and shelters.....	*	1	1	-----
Atomic Energy Commission.....	176	130	155	192
Subtotal, national defense public works.....	1,679	1,800	1,801	2,583
Total, direct Federal public works.....	4,693	4,620	4,577	4,848

*Less than \$500 thousand.

GRANTS AND LOANS FOR PUBLIC WORKS

Federal expenditures for grants and loans to aid construction by State and local governments are summarized by agency in table F-3. The Federal grant contribution varies by program and may in some instances be a fixed percentage of the total cost of the project and in other instances a variable proportion, depending on such factors as population and relative financial ability of the States. Federal grants and loans are generally supplemented by State or local revenues. In most loan programs, gross disbursements are offset by repayments of loans made in earlier years, to arrive at net budgetary expenditures. In table F-3, loans for public works are shown on a gross basis with a one-line deduction for repayments and participation sales to adjust to net budget expenditures.

Table F-3. GRANTS AND LOANS FOR PUBLIC WORKS: EXPENDITURES AND 1968 NEW OBLIGATIONAL AUTHORITY, BY AGENCY (in millions of dollars)

From budget accounts and trust funds

Type of program and agency	Expenditures			New obligational authority, 1968 estimate
	1966 actual	1967 estimate	1968 estimate	
Grants to State and local governments:				
Public works acceleration.....	85	36	74	71
Soil Conservation Service.....	69	69	74	71
Farmers Home Administration.....	*	47	34	34
Economic development assistance (Commerce)....	15	84	200	290
Corps of Engineers—Civil.....	18	14	34	34
Office of Education.....	119	233	315	418
Public Health Service.....	91	128	212	360
Department of Housing and Urban Development...	4	66	181	293
Federal Water Pollution Control Administration...	83	85	161	218
Federal Aviation Administration.....	54	54	59	71
Federal Highway Administration.....	3,897	3,860	3,697	4,880
Other civil.....	4	20	34	31
Subtotal, civil grants.....	4,439	4,696	5,001	6,700
Department of Defense.....	7	5	8	5
Total, grants.....	4,446	4,701	5,009	6,705
Loans to State and local governments:				
Economic development assistance (Commerce)....	4	22	38	22
Department of Agriculture.....	5	10	7	8
Office of Education.....	25	26	50	50
Department of Housing and Urban Development...	428	488	493	160
Bureau of Reclamation.....	18	14	15	15
District of Columbia.....	28	50	52	84
Other.....	6	10	9	4
Repayments and participation sales.....	-225	-645	-1,133	-----
Total, net loans.....	289	-25	-469	294

*Less than \$500 thousand.

CIVIL PUBLIC WORKS

New and continuing work.—Large construction projects often require a number of years from start to completion. Some of the complex water control developments may require a decade or more to construct. Table F-4 indicates the total cost of the Federal civil works projects expected to be underway in 1968, the progress through the budget year, and the expenditures required after 1968 to complete the projects. The rate of completion during and after 1968 is contingent on new obligational authority recommended for 1968 and, in the case of water resources projects, on appropriations in future years. Expenditures for projects started in prior years are estimated at \$2.6 billion in 1968, with an additional \$10.9 billion required in later years for completion.

Projects estimated to cost a total of \$980 million are recommended for starting in 1968. The new projects include nine projects for the Corps of Engineers and two for the Bureau of Reclamation. The General Services Administration will begin construction of eight Federal buildings and the extension of the Franklin D. Roosevelt Library. Major projects will be constructed in Honolulu, Hawaii; San Juan, P.R.; and Bronx, N.Y. The Post Office will begin major expansions of post offices in St. Louis and New York City. The Veterans Administration will begin construction of a 1,040-bed hospital at San Diego, and will start planning a hospital in Seattle. Construction will be started on 15 schools by the Bureau of Indian Affairs.

Planning and surveys.—Preliminary plans and surveys and general investigations precede construction of some types of public works, and help to assure economic design of facilities. Comprehensive river basin planning requires coordinated long-range economic, hydrologic, and land use projections prior to undertaking individual water resource projects. Expenditures for such general studies are not within the definition of public works used in this analysis and therefore are not reflected in the summary tables.

As these general studies crystallize into needs for specific projects, advance planning begins, and, in some instances, sites must be acquired. Expenditures for advance planning are shown in table F-4 for direct civil public works. The General Services Administration will acquire sites and begin design of 17 Federal buildings. The Post Office will acquire sites and begin design of 11 federally owned postal facilities under a new program. In addition, the Department of Housing and Urban Development will disburse \$19 million in 1968 to State and local government agencies to facilitate advance planning of their public works.

Authorized reserve of civil public works.—In addition to the projects underway, agencies whose programs regularly include construction of public works generally maintain a reserve of authorized projects. Such projects require only financing and planning for starting. The reserve provides a basis for the selection of projects which most adequately fulfill program needs and budgetary policy. Table F-5 indicates the size and status of planning of the authorized reserve.

Table F-4. ESTIMATED COST OF 1968 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 1968	1968 estimated expenditures	Required to complete
Continuing work:				
Corps of Engineers—Civil.....	17,165	11,039	996	5,130
Bureau of Reclamation.....	6,573	3,473	215	2,885
General Services Administration.....	745	299	212	233
Tennessee Valley Authority.....	716	204	210	302
National Aeronautics and Space Administration.....	2,263	2,021	151	91
Forest Service.....	251	87	119	46
Bonneville Power Administration.....	499	122	100	276
Veterans Administration.....	448	259	74	116
National Park Service.....	1,024	62	63	899
Bureau of Indian Affairs.....	667	350	56	261
Federal Aviation Administration.....	265	55	39	172
Public Health Service.....	139	78	36	25
Post Office Department.....	75	15	35	25
Social Security Administration (trust funds).....	64	12	28	24
Other.....	1,472	875	230	367
Total, continuing work.....	32,366	18,951	2,564	10,852
New projects and features in 1968:				
Forest Service.....	28		23	5
Coast Guard.....	35		21	14
Post Office.....	83		13	71
Bureau of Indian Affairs.....	31		12	19
Federal Aviation Administration.....	29		12	17
Public Health Service.....	28	1	9	18
Corps of Engineers—Civil.....	150	5	7	138
Bureau of Reclamation.....	132	1	7	124
Bonneville Power Administration.....	211		6	204
National Aeronautics and Space Administration.....	51		5	46
General Services Administration.....	63		3	60
Veterans Administration.....	45	*	3	42
Other.....	94	1	19	74
Total, new projects and features.....	980	8	140	832
Advance planning:				
General Services Administration ¹	162	94	24	44
Corps of Engineers—Civil.....	70	20	21	29
Public Health Service.....	13	3	7	4
Post Office ¹	21		6	15
National Aeronautics and Space Administration.....	13	3	4	7
National Park Service.....	16	2	2	13
Bureau of Reclamation.....	4	2	1	1
Other.....	22	2	9	10
Total, advance planning.....	321	126	74	123
Total, direct civil public works.....	33,667	19,085	2,776	11,807

* Less than \$500 thousand.

¹ Includes some site costs.

Table F-5. RESERVE OF PRESENTLY AUTHORIZED PROJECTS AND PROGRAMS FOR UNDERTAKING AFTER 1968 (in billions of dollars)

Agency	Cost of authorized reserve						
	Estimated total Federal cost	Status of plans as of June 30, 1967			Status of plans as of June 30, 1968		
		Contract could be let	In process	Not started	Contract could be let	In process	Not started
Corps of Engineers—Civil.....	7.4	.9	4.5	2.0	1.8	3.9	1.7
Forest Service.....	1.3	.2	1.1	.....	.2	1.0	.....
Tennessee Valley Authority.....	.8	.2	.1	.4	.3	.1	.3
Bonneville Power Administration.....	.7	.....	.....	.7	.....	.1	.7
Bureau of Land Management.....	.5	*	*	.5	*	*	.5
Federal Aviation Administration.....	.3	.1	.1	.1	.2	.1	.1
General Services Administration.....	.4	*	.4	.1	.3	.1	*
Public Health Service.....	.2	.....	.1	*	*	.2	*
Veterans Administration.....	.2	.....	.1	.1	.1	.1	*
Other agencies.....	.6	.1	.3	.3	.1	.3	.2
Total.....	12.5	1.5	6.6	4.4	3.1	5.9	3.5

*Less than \$50 million.

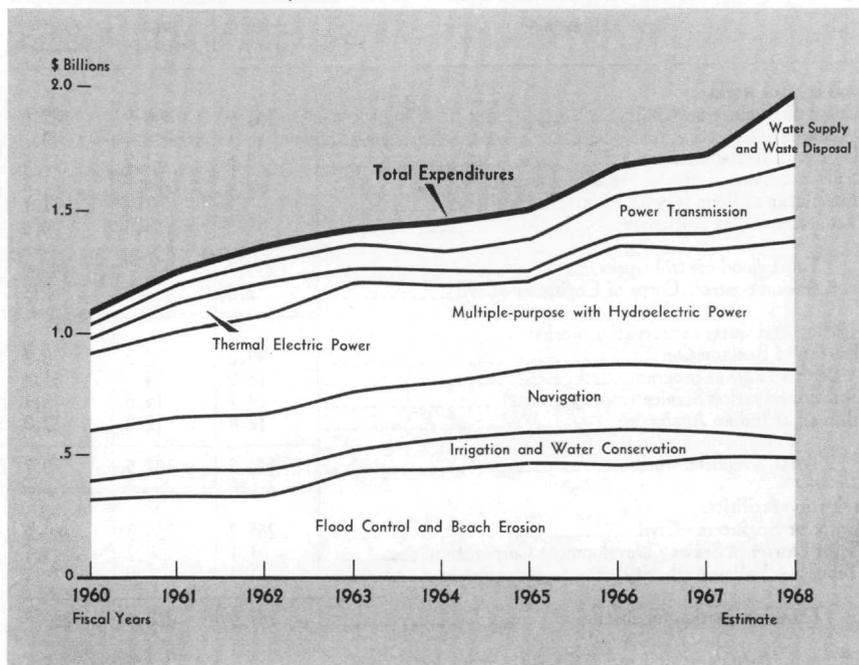
Civil public works by function.—Table F-8 classifies public works activities according to the major functional categories used in the budget, with detail by agencies and type of program included under each heading. Within the civil works programs, the largest expenditures are for the commerce and transportation and the natural resources functions.

Of the total \$4.1 billion to be spent in 1968 for the commerce and transportation function, grants for highways and airports predominate, although air navigational facilities and post office improvements are also important segments. Within the Federal-aid highway programs, the Federal Government's share of the cost of the 41,000 miles of highways comprising the Interstate Highway System is 90%. This system, now more than half completed, accounts for approximately three-fourths of the expenditures shown in table F-8 for the Federal Highway Administration in 1968. For primary, secondary and urban highways, the Federal share is 50%. Under the Federal Airport Act, Federal grants generally cover 50% of the project costs of airport construction.

In the natural resources function, expenditures for water resources developments make up 84% of the \$2.2 billion of expenditures in 1968. Although this function includes the major share of water resources developments, some water resources activities are carried on under the agriculture and housing and community development functions. Between 1960 and 1968, expenditures for water resources and related developments are estimated to increase by 81%—from \$1.1 billion to almost \$2 billion—as shown in the following chart.

Budget Expenditures

Water Resources and Related Developments



Increasing Federal concern with the problems of water pollution and water supply has resulted in increases in grants and loans for water supply and waste disposal facilities built by State and local authorities. The Federal Water Pollution Control Administration provides grants to municipalities for waste treatment facilities. In 1968, the Federal contribution will range from 30% to 55% of the total cost for an individual project.

The Farmers Home Administration, in the agriculture function, provides grants up to 50% of the cost for water and waste disposal systems in rural communities. Additional information on the types of water resources facilities, with detail by agency, is provided in table F-6.

Within the remaining functional categories, expenditures for a number of public works programs are expected to increase in response to the urgent needs of an increasingly urban society.

In the housing and community development function, improvements or extensions of water and sewer systems in over 300 communities will be aided by Department of Housing and Urban Development grant commitments amounting to \$175 million in 1968. In addition, that agency will provide grant assistance in 1968 for constructing transit systems and other public facilities.

In the health, labor, and welfare function, the Department of Health, Education, and Welfare will provide grants in 1968 for 87 community mental health centers. The department will also provide grants or loans to assist in construction of hospitals, dental and medical schools, and other facilities on a basis which applies not only to publicly owned works shown in table F-3, but also to nonprofit institu-

Table F-6. BUDGET EXPENDITURES FOR WATER RESOURCES AND RELATED DEVELOPMENTS (in millions of dollars)

Type and agency	1966 actual	1967 estimate	1968 estimate
Flood control works:			
Corps of Engineers—Civil	361.9	400.9	382.8
Grants	18.1	14.4	33.7
Bureau of Reclamation	13.6	11.7	12.5
Soil Conservation Service (mostly grants)	60.5	58.7	61.2
International Boundary and Water Commission	.1	1.2	1.1
Tennessee Valley Authority	1.5	3.8	4.6
Total, flood control works	455.7	490.7	495.9
Beach erosion control: Corps of Engineers—Civil	2.0	2.0	2.3
Irrigation and water conservation works:			
Bureau of Reclamation	99.8	60.5	28.2
Loan and grant program	18.0	14.4	15.4
Soil Conservation Service (mostly grants)	14.7	15.6	15.1
Bureau of Indian Affairs	12.0	12.0	12.0
Total, irrigation works	144.5	102.5	70.7
Navigation facilities:			
Corps of Engineers—Civil	265.2	259.3	280.6
Saint Lawrence Seaway Development Corporation	1.1	.2	.1
Tennessee Valley Authority	1.2	.9	.1
Total, navigation facilities	267.5	260.4	280.8
Multiple-purpose dams and reservoirs with hydroelectric power facilities:			
Corps of Engineers—Civil	314.6	304.1	348.7
Bureau of Reclamation	133.1	127.8	137.7
International Boundary and Water Commission	15.3	7.0	13.0
Tennessee Valley Authority	31.1	37.9	28.5
Total, multiple-purpose facilities	494.1	476.8	527.9
Thermal-electric powerplants: Tennessee Valley Authority	34.2	79.2	92.6
Power transmission facilities:			
Tennessee Valley Authority	71.4	61.3	65.7
Bureau of Reclamation	30.9	36.7	38.7
Bonneville Power Administration	54.4	99.4	106.8
Southwestern Power Administration	4.8	4.0	4.3
Total, power transmission facilities	161.5	201.4	215.5
Water supply and waste disposal facilities:			
International Boundary and Water Commission	.2	1.8	.7
Federal Water Pollution Control Administration (grants)	81.5	83.0	152.0
Farmers Home Administration (grants)	.1	40.9	30.0
Bureau of Reclamation		.5	6.3
Department of Housing and Urban Development:			
Grants		40.0	110.0
Loans (net)	23.1	-24.5	-22.0
Total, water supply and waste disposal	104.9	141.7	277.0
Total, water resources and related developments	1,664.4	1,754.7	1,962.7

tions shown in table F-7. The 1968 commitments will provide for approximately 21,000 hospital beds and for 13,000 beds in long-term care facilities. Assistance will be provided to increase the capacity at professional health services training facilities by 2,300 students.

The Department of Housing and Urban Development will provide \$46 million in commitments in 1968 for neighborhood facilities for health, welfare, and recreation activities serving low-income neighborhoods, and will assist State and local governments in providing housing for students and faculty in public higher educational institutions through long-term loans.

The National Aeronautics and Space Administration's construction programs will decline in 1968 from the 1967 level as major facilities for the Apollo program are completed.

The Veterans Administration will continue its \$1.2 billion program to modernize obsolete facilities and to expand the veteran hospital system. In addition to the hospital to be started in San Diego, work will continue on hospitals in Chicago and Tampa.

In the general government function, the General Services Administration will spend \$239 million in 1968, compared with \$210 million in 1967, for the construction of buildings and the modernization and rehabilitation of existing Government buildings.

NATIONAL DEFENSE PUBLIC WORKS

Department of Defense—Military.—The 5-year force structure and financial plan to strengthen and modernize the facilities of the Armed Forces will be continued with the recommendation for \$2.4 billion in new obligational authority in 1968, of which \$135 million will be spent for facilities in support of research and development. The remainder is for construction of facilities both at home and overseas to be used for operations, training, logistics, administration and troop housing. The plan was modified in 1967 to take account of the Vietnam requirements.

Atomic Energy Commission.—The 1968 construction program will include work on facilities for weapons development, reactor development, and research in the physical sciences. Definitive design will begin in 1968 on a 200 billion electron volt accelerator to be located near Chicago, Ill., which is expected to cost about \$240 million.

AID TO COOPERATIVES AND NONPROFIT GROUPS

Some private nonprofit groups carry on activities of a public service character, such as the provision of educational and health services and the conduct of research, which are related to similar programs conducted by State and local governments. Federal assistance programs may provide support both to State and local governments and to the private nonprofit institutions providing similar services. Federal expenditures to aid construction undertaken by these non-government institutions are shown in table F-7, but are not included in the total public works expenditures reported in this analysis.

Table F-7. FEDERAL EXPENDITURES FOR CONSTRUCTION BY COOPERATIVES AND NONPROFIT GROUPS (not included in public works)

(In millions of dollars)

Program	1966 actual	1967 estimate	1968 estimate
Federal construction:			
Howard University	1	2	4
Gallaudet College	1	*	1
Grants:			
Hospital construction	104	114	116
Health professions educational facilities		13	29
Health research facilities	26	38	38
Higher education facilities	16	58	89
Loans:			
Rural electrification and telephones	361	440	508
College housing	165	180	158
Higher education facilities	30	26	49
Repayments and participation sales	-14	-578	-1,127
Total	690	293	-135

*Less than \$500 thousand.

Table F-8. FEDERAL ACTIVITIES IN PUBLIC WORKS (in millions of dollars)

By major function and agency

Function, organization unit, and program	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
CIVIL PUBLIC WORKS						
International Affairs and Finance						
Department of State:						
State Department and Foreign Service buildings	9.5	3.4	4.1	6.3	7.1	10.7
Cultural and Technical Interchange Center, Hawaii (grant) .....		.2			.2	.1
United States Information Agency: Radio facilities and special international exhibi- tions	22.7	4.8	17.6	6.4	17.1	14.0
Total, international affairs and finance	32.2	8.5	21.7	12.8	24.4	24.7
Space Research and Technology						
National Aeronautics and Space Adminis- tration:						
Research and space flight facilities	60.9	85.0	54.2	572.4	280.0	160.0
Agriculture and Agricultural Resources						
Department of Agriculture:						
Laboratories, research facilities, and library	20.9	13.9	5.4	3.7	13.7	32.6
Grants for research facilities	2.0	2.0	2.0	.6	1.7	3.9
Soil Conservation Service: Resource conservation and development:						
Loans	1.5	.5	1.5		2.0	1.2
Grants .....	.8	1.9	2.5	.3	1.2	2.3

Table F-8. FEDERAL ACTIVITIES IN PUBLIC WORKS
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
CIVIL PUBLIC WORKS—Continued						
Agriculture and Agricultural Resources—Continued						
Department of Agriculture—Continued						
Farmers Home Administration:						
Rural renewal loans.....	1.0	.9	1.5	.9	1.6	1.4
Grants for rural housing.....	3.0	3.0	4.0	.....	6.0	4.0
Grants for rural water and sewer systems.....	20.0	26.0	30.0	.1	40.9	30.0
Commodity Credit Corporation: Storage facilities.....	.....	.....	.....	-8.3	-7.6	-3.0
Total, agriculture and agricultural resources.....	49.2	48.2	46.9	-2.8	59.5	72.5
Natural Resources						
Department of Agriculture:						
Soil Conservation Service: Flood prevention and watershed protection:						
Direct work.....	3.0	3.0	3.0	3.0	3.0	3.0
Grants.....	68.1	69.7	68.6	69.1	68.2	71.4
Loans.....	5.7	5.2	5.2	4.3	6.2	4.7
Forest Service: Roads and research, recreational and protective facilities.....	87.0	184.7	196.4	100.8	125.4	141.8
Department of Defense—Civil:						
Corps of Engineers—Civil:						
Flood control, navigation, and multiple-purpose projects with power.....	1,060.7	1,038.5	996.0	974.3	963.9	999.0
Trust funds.....	25.5	16.3	24.6	22.9	25.0	26.0
Grants.....	18.1	14.4	33.7	18.1	14.4	33.7
Department of the Interior:						
Bureau of Land Management: Roads and other facilities.....	16.6	12.8	15.7	19.4	17.9	13.7
Bureau of Indian Affairs: Irrigation works, roads and schools.....	53.1	75.1	63.4	72.5	61.5	68.0
Geological Survey: Laboratory.....	.....	.....	.....	.6	.3	.....
Bureau of Mines:						
Laboratories, demonstration plants, and helium facilities.....	1.0	1.4	1.2	*	.6	2.0
Appalachian mining area restoration and anthracite mine drainage, grants.....	.....	7.0	.8	.8	2.5	11.5
Office of Coal Research: Demonstration plants.....	3.8	4.0	5.4	3.8	4.3	5.1
Bureau of Commercial Fisheries:						
Facilities.....	1.9	1.2	1.4	6.6	2.8	2.2
Grants.....	.....	.9	.5	*	.1	.3
Bureau of Sport Fisheries and Wildlife: Facilities.....	18.3	9.5	2.6	8.5	9.0	4.0
Appalachian restoration and other grants.....	.....	2.9	1.9	.....	1.2	1.4

See footnotes at end of table.

Table F-8. FEDERAL ACTIVITIES IN PUBLIC WORKS
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
CIVIL PUBLIC WORKS—Continued						
Natural Resources—Continued						
Department of the Interior—Continued						
National Park Service: Parkways, roads, buildings and utilities ¹	61.4	56.3	58.9	63.7	64.2	64.5
Federal Water Pollution Control Administration:						
Buildings and facilities.....		5.3	1.1		3.1	8.1
Grants.....	122.2	155.0	218.0	82.5	85.0	161.0
Bureau of Reclamation:						
Irrigation and multiple-purpose projects with power ¹	243.9	240.7	217.5	277.9	237.8	223.8
Loans, small irrigation projects.....	11.9	12.7	14.9	17.8	14.3	15.4
Grants, small irrigation projects.....	.1	.1		.1	.1	
Power transmission facilities:						
Bonneville Power Administration ¹	97.5	107.9	119.3	54.4	99.4	106.8
Southwestern Power Administration.....	2.2	4.0	5.1	4.8	4.0	4.3
Office of Saline Water:						
Demonstration plants and research facilities.....	4.5	8.8	.6	.2	4.2	5.2
Department of State:						
International Boundary and Water Commission: Water resources projects and Chamizal settlement.....	17.5	11.9	14.8	29.9	32.8	19.9
Restoration of salmon runs, Fraser River system.....				.1		
Facilities for International Pacific Halibut Commission (grant).....	.5				.2	.4
Tennessee Valley Authority: Power, water resources and chemical facilities.....	42.4	1,044.2	41.6	156.3	204.0	210.7
Total, natural resources.....	1,966.9	3,093.5	2,112.1	1,992.5	2,055.0	2,207.8
Commerce and Transportation						
Funds appropriated to the President:						
Public works acceleration:						
Grants.....				84.7	35.7	
Direct Federal work.....				3.4	2.3	
Department of Commerce:						
Economic development assistance:						
Appalachian highways: Grants.....		100.0	100.0	8.9	42.1	80.7
Development facilities grants.....	200.0	202.6	189.6	5.6	41.6	119.3
Development facilities loans.....	35.0	25.5	22.0	3.7	21.5	37.9
Repayments.....						-16.5
Participation in U.S. Expositions: 1967						
Alaska Centennial, building.....	4.0				3.5	.5
Environmental Science Services Administration: Structures ²	1.2	*	1.2	1.0	.8	1.2
Bureau of Standards: Buildings.....	.2	1.4	.9	18.4	7.7	8.1
Maritime Administration: Library and other improvements.....				*	.4	.3

See footnotes at end of table.

Table F-8. FEDERAL ACTIVITIES IN PUBLIC WORKS
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
CIVIL PUBLIC WORKS—Continued						
Commerce and Transportation—Con.						
Department of Defense—Civil: Panama Canal Company: Canal and harbor improvements and bridge.....				4.2	9.7	7.9
Post Office Department: Post offices, improvements and alterations.....	14.8	12.4	48.2	50.6	22.2	53.9
Department of Transportation:						
Coast Guard: Shore facilities and navigation aids.....	19.6	28.9	37.4	26.4	47.0	42.4
Federal Aviation Administration:						
Air traffic control, navigation, and research facilities.....	48.9	27.9	31.8	59.8	53.5	46.9
Dulles and National Airports.....	1.2		.2	2.2	3.4	4.0
Federal-aid airport program: Grants.....	75.0	71.0	71.0	54.0	54.0	59.0
Federal Highway Administration:						
Federal-aid highways and other trust funds: Grants.....	3,930.3	4,336.1	4,872.2	3,855.7	3,819.9	3,692.6
Forest and public land highways: Grants.....	38.4	45.2		40.0	39.4	
Chamizal memorial highway: Grant.....			8.0			4.0
Highway beautification, control of outdoor advertising, grant.....				.9	.6	
Federal Railroad Administration:						
Alaska Railroad.....	4.1			9.0	3.5	
St. Lawrence Seaway Development Corporation: Alterations.....				1.0	.2	.1
Federal Communications Commission: Construction.....			*			*
Total, commerce and transportation.....	4,372.7	4,851.0	5,382.5	4,229.6	4,209.2	4,142.3
Housing and Community Development						
Department of Housing and Urban Development:						
Urban transportation grants.....	45.7	53.3	56.2	4.5	23.3	49.3
Public facility loans, gross.....		.8	2.6	33.4	54.1	56.2
Repayments and participation sales.....				-4.5	-84.7	-83.7
Grants for water and sewer facilities.....	100.0	100.0	165.0		40.0	110.0
Grants for neighborhood facilities.....	12.0	17.0	42.0		3.0	15.0
Metropolitan development incentive grants.....			30.0			7.0
Advance planning, non-Federal public works: Loans, gross.....	15.0			16.1	20.5	19.1
Repayments.....				-7.2	-8.5	-9.1
Liquidating programs: Repayments.....				-.4	-.4	-.4
Low-rent public housing: Loans, gross.....				199.3	218.5	246.2
Repayments.....				-201.1	-218.8	-246.5

See footnotes at end of table.

Table F-8. **FEDERAL ACTIVITIES IN PUBLIC WORKS**
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
CIVIL PUBLIC WORKS—Continued						
Housing and Community Development—Continued						
Federal Home Loan Bank Board:						
Headquarters.....		13.2				
National Capital Transportation Agency:						
Land acquisition and construction.....	3.7	9.1		1.4	5.1	6.5
District of Columbia:						
Loans for schools, highway, sewer, and water systems and other structures.....	28.3	37.5	83.8	28.3	50.4	52.0
Total, housing and community development.....	204.7	230.9	379.6	69.5	102.5	221.6
Health, Labor, and Welfare						
Office of Economic Opportunity: Job Corps centers and related facilities.....	73.9	10.0	6.0	50.0	65.0	7.0
Department of Health, Education, and Welfare:						
Food and Drug Administration: Buildings.....	5.7	3.1	1.2	.8	2.6	5.6
Public Health Service:						
Federal research facilities and National Library of Medicine.....	9.0	18.3	10.7	19.3	36.2	34.6
Indian health facilities ¹	14.2	14.7	22.2	9.3	14.2	17.0
Grants for public hospitals.....	140.3	149.4	136.5	85.5	93.5	101.6
Grants for health research facilities.....	.5			.1		
Community health service facilities, grants.....			25.0			18.5
Grants for mental health centers.....	50.0	50.0	51.0	.5	2.8	25.0
Grants for health educational facilities.....	63.0	112.0	148.0	4.6	31.2	66.5
Saint Elizabeths Hospital: Buildings.....	2.0	2.3	1.2	1.2	2.2	3.2
Social Security Administration: Buildings and district offices (trust fund).....	1.5	8.5	28.1	1.5	8.5	28.1
Total, health, labor, and welfare ..	360.1	368.3	429.9	172.8	256.2	306.9
Education						
Department of Health, Education, and Welfare:						
Office of Education:						
Schools in federally affected areas:						
At Federal installations.....	7.5	10.0	10.0	10.7	9.0	9.0
Grants.....	41.9	12.3	12.3	44.4	31.0	29.8
Higher education facilities:						
Loans, gross.....	55.0	100.0		25.4	26.5	49.5
Repayments and participation sales.....					-50.0	-50.0
Grants.....	362.6	359.1	308.0	37.1	135.8	210.7
Vocational schools (grants).....	56.6	68.6	70.6	22.0	44.0	49.0
Libraries (grants).....	30.0	40.0	27.2	15.9	22.0	25.0
Model secondary school for the deaf.....			.3			*

See footnotes at end of table.

Table F-8. FEDERAL ACTIVITIES IN PUBLIC WORKS
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
CIVIL PUBLIC WORKS—Continued						
Education—Continued						
Department of Housing and Urban Development:						
College housing loans, gross	157.8	-----	157.8	179.0	195.0	171.6
Repayments and participation sales	-----	-----	-----	-11.9	-282.8	-726.9
National Science Foundation: Research facilities	7.8	12.4	6.8	7.6	7.3	8.4
Smithsonian Institution:						
John F. Kennedy Center for Performing Arts	-----	-----	-----	1.1	8.0	8.0
Museums	3.8	3.9	2.6	7.1	6.7	4.0
Total, education	723.0	606.3	595.7	338.5	152.5	-211.7
Veterans Benefits and Services						
Department of Defense—Civil:						
Army: Cemeteries	1.2	3.7	10.0	2.6	2.3	5.0
United States Soldiers' Home (trust fund)	-----	3.6	.3	*	.8	2.1
Veterans Administration:						
Hospital and domiciliary facilities	90.5	52.1	52.0	83.7	65.5	77.0
Research facilities .....	.2	.4	.8	.2	.4	.8
Construction of State nursing homes, grants	2.5	4.0	4.0	-----	1.0	4.2
Corregidor-Bataan Memorial	1.4	-----	-----	.1	.5	.9
Total, veterans benefits and services	95.8	63.8	67.1	86.7	70.5	89.9
General Government						
Legislative Branch:						
Architect of the Capitol: Buildings and James Madison Library	5.2	-----	-----	11.4	11.5	3.9
Government Printing Office: Annex	-----	-----	-----	.1	*	-----
Department of Defense—Civil:						
Army: Power and water systems	-----	-----	-----	.4	4.4	4.0
Ryukyu Islands: Loans	-----	-----	-----	-----	-----	-----
Canal Zone Government: Improvements	9.0	2.0	5.0	5.2	7.9	7.3
Department of the Interior:						
Office of Territories: Public facilities in Samoa, Guam, and the Trust Territory of the Pacific Islands:						
Grants	7.4	12.0	16.7	3.1	13.5	13.6
Loans	5.9	.3	4.4	5.4	5.4	5.0
Department of Justice:						
Immigration and Naturalization Service: Border facilities .....	.2	-----	.1	.2	.1	.1
Federal Prison System: Prison facilities	4.3	-----	5.0	5.0	10.6	6.5
Grants for correctional and enforcement facilities	-----	-----	5.0	-----	-----	1.0

See footnotes at end of table.

Table F-8. FEDERAL ACTIVITIES IN PUBLIC WORKS
(in millions of dollars)—Continued

By major function and agency

Function, organization unit, and program	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
CIVIL PUBLIC WORKS—Continued						
General Government—Continued						
Treasury Department:						
Bureau of Customs: Border facilities	0.2	0.2	0.2	0.5	0.1	0.3
Bureau of Engraving and Printing: Air conditioning				2.4	3.1	
Bureau of the Mint: Philadelphia Mint	22.3			5.8	13.0	14.8
General Services Administration: Construction of public buildings, sites and planning ¹	210.3	194.5	133.4	230.3	210.2	239.3
Central Intelligence Agency: Headquarters				.4	.7	
Total, general government	264.8	209.0	169.8	270.2	281.4	295.8
Total, civil public works	8,130.4	9,564.5	9,259.4	7,742.3	7,491.4	7,309.9
NATIONAL DEFENSE PUBLIC WORKS						
Department of Defense—Military:						
Interservice activities:						
Construction, Defense agencies	219.8	8.0	240.0	16.4	20.0	30.0
Loran stations	5.0		3.6	6.7	3.3	3.6
Family housing	177.0		267.0	172.3	70.0	48.0
Civil Defense:						
Grants for shelters	3.5	5.0	5.0	3.7	4.5	5.0
Emergency centers and shelters	7.8			.1	.5	.8
Army:						
Construction	967.7	402.5	592.0	326.9	513.8	638.8
Construction, Army Reserve				2.2	.5	2.0
Construction, Army National Guard (grants)	10.0			3.0	.7	2.7
Navy:						
Construction	634.8	266.9	³ 652.2	447.4	430.0	³ 335.2
Construction, Naval Reserve	9.5	5.4	5.0	4.4	5.5	7.0
Air Force:						
Construction	705.7	401.5	618.0	516.1	610.0	565.0
Construction, Air Force Reserve	4.0	3.6	3.9	2.4	6.2	4.7
Construction, Air National Guard	10.0	9.4	9.5	8.1	10.0	11.2
Total, Department of Defense—Military	2,754.7	1,102.3	2,396.2	1,509.7	1,675.0	1,654.0
Atomic Energy Commission: Facilities	87.7	125.8	191.6	176.0	130.0	155.0
Total, national defense public works	2,842.5	1,228.1	2,587.8	1,685.7	1,805.0	1,809.0
Total, civil and defense public works: Budget accounts and trust funds	10,972.9	10,792.6	11,847.1	9,428.0	9,296.3	9,118.9

* Less than \$50 thousand.

¹ Includes small amounts from trust funds.

² Includes Weather Bureau and Coast and Geodetic Survey in 1966.

³ Includes \$1.2 million of new obligational authority and \$0.2 million of expenditures from the Special Foreign Currency program.

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 second comprehensive analysis of Federal education, training, and related programs based on data in the annual U.S. budget.

The 1968 Federal budget provides outlays of \$11.0 billion for aid to 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 1968, including amounts offset by sale of loan participations, are estimated to be \$4.6 billion. In addition, it includes \$6.4 billion for education and training activities classified in other functional categories, including formal 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.

The \$11.0 billion in total outlays will be partly offset by \$1.8 billion in sales of participations in pools of college housing, academic facility, and student loans. As a consequence of the proceeds from sales of participations, net budget and trust fund expenditures for education, training and related activities in 1968 will amount to \$9.2 billion. Most of these proceeds are in the budget functional category for "education," for which net budget expenditures are estimated at \$2.8 billion.

Almost all of the \$9.2 billion of net expenditures for education, training, and related activities will be from administrative budget funds. They comprise 6.8% of all regular budget expenditures in 1968. The trust funds show net receipts of \$7 million. Together, budget and trust expenditures for these programs account for 5.3% of Federal cash payments to the public and 9.6% of all Federal nondefense cash payments.

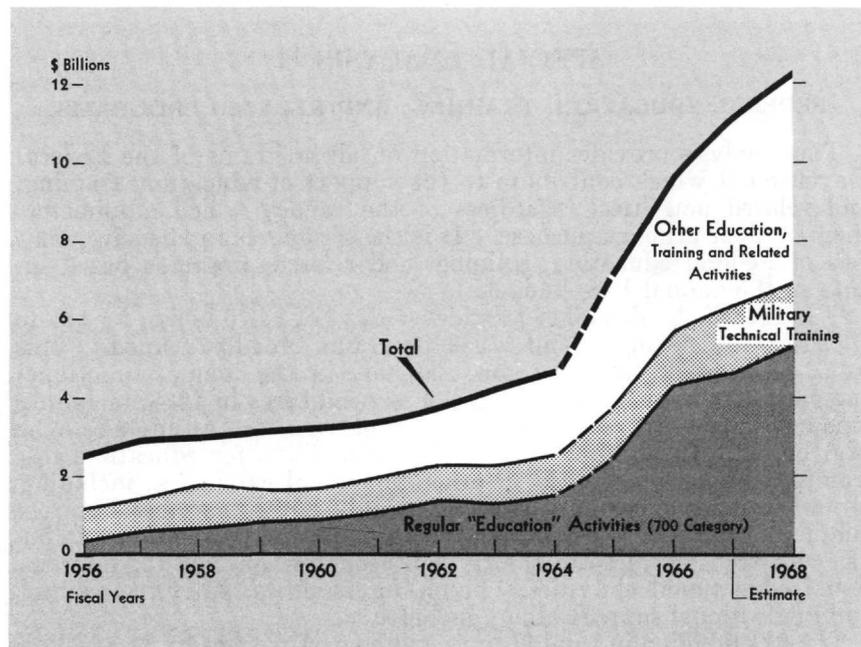
The \$11.0 billion in estimated outlays in this analysis is an increase of \$1.0 billion over 1967, of \$3.7 billion over 1966, and \$5.8 billion over 1965.

In addition, aid to college and vocational education students through private loans which are insured and subsidized by the Federal Government will total an estimated one-half billion dollars in fiscal 1967 and three-quarters of a billion dollars in 1968, compared to \$79 million in 1966. This raises the total aid for education in fiscal 1968 to \$11.7 billion, \$1.2 billion above 1967.

New obligational authority in 1968 for all the education, training, and related programs will total \$12.3 billion, \$1.2 billion more than in 1967 and \$2.7 billion over 1966. The aid through guaranteed private loans will be in addition, as will some obligations to be financed from participation sales.

Education, Training, and Related Programs

Obligations 1956-1964 • NOA 1965-1968



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 60% in relation to the gross national product (GNP), and in absolute terms have risen more than two and one-half times.

The trend in Federal funds for education—classified into three categories—is indicated in the accompanying chart for the fiscal years 1956-68 which is based on the following figures (dollars in billions):

Category	Obligations										New obligational authority			
	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	
Regular "education" activities (700 category)-----	0.4	0.6	0.6	0.8	0.9	1.1	1.4	1.3	1.5	2.4	4.3	4.6	5.3	
Military technical and profes- sional training-----	.9	.9	.8	.8	.8	.9	1.0	1.0	1.2	1.4	1.4	1.8	1.6	
All other-----	1.3	1.3	1.3	1.3	1.4	1.3	1.4	1.9	2.0	3.4	3.9	4.7	5.4	
Total, education, train- ing, and related pro- grams-----	2.6	2.8	2.7	2.9	3.1	3.3	3.8	4.2	4.7	7.2	9.6	11.1	12.3	

Note.—Data for fiscal years 1956-64 are estimates based on unpublished Office of Education tabulations, supplemented by Bureau of the Budget, and are not precisely comparable with new obligational authority for 1965-68.

This table shows that the sharpest rate of increase since 1963 has been in the regular education programs, although significant increases have occurred in other programs, too.

Historically the financing of education is preponderantly a State and local concern, but 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 for technical specialties 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. A major recent impetus was given to educational aid for veterans by the Veterans' Readjustment Benefits Act of 1966 which authorized aid for college and below college institutional training for up to 36 months for military service since January 1, 1955.
- 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 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 which has been amended several times subsequently, with particularly significant improvements in 1966.

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 (including Head Start and Upward Bound). These programs place a heavy reliance on education and training. The strengthening of education through other programs is also a major part of the anti-poverty effort.

The Government has made exceptional 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 to help meet needs arising from increasing college enrollments. 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 the first year 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 educational "laboratories" designed to bring new curricular and other innovations to the classrooms; and for strengthening State departments of education. The Elementary and Secondary Amendments of 1966 extended the earlier act for 2 years and broadened and increased the authorizations.

The Higher Education Act of 1965 authorized a major broadening of Federal support of higher education including assistance for (1) university community service 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; and (5) instructional equipment. 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 Higher Education Amendments of 1966 provided a 3-year extension of the Higher Educational Facilities Act of 1963 and liberalized its provisions. The National Foundation on the Arts and the Humanities Act, also enacted in 1965, initiated Federal support of the humanities and the arts. The International Education Act of 1966 provided a broadened program to support advanced and undergraduate international studies.

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 \$11.0 billion in outlays for estimated aid to be provided for education, training, and related programs in 1968, \$4.9 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 \$3.5 billion or 71% of the funds; the Public Health Service, including the National Institutes of Health, about \$1.1 billion or 22%. Expenditures for HEW programs, especially in the Office of Education, are increasing sharply, 78% from 1966 to 1968. 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 \$2.2 billion or 20% of all the outlays in 1968, even though specialized military training such as recruit and pilot training have been excluded from this analysis. More than \$1.6 billion of the Defense expenditures are for military technical and professional training in skills and occupations which have value in civilian life. A buildup occurred in 1967 in these programs because of the Vietnam conflict. In addition, the service academies, which account for expenditures of \$120 million in 1968, have been included as an integral part of higher education.

All of the remaining agencies of the Federal Government will account for outlays of about \$3.9 billion for education, training, and related programs in 1967, or 35% of the total. These outlays for agencies other than HEW and Defense, include \$1.6 billion of aid financed by sale of college housing loan participations, which result in net budget expenditures of \$2.3 billion.

These other agencies cover a wide range of activities:

- The Department of Housing and Urban Development plays a large role in financing college housing facilities.
- 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. In 1968 it will provide training to 280,000 workers under the Manpower Development and Training Act.
- The Veterans Administration supports the education of disabled veterans, or those of recent service, children of totally disabled or deceased veterans, and training in medicine and dentistry. In 1968 it will fund training for an estimated 478,000 individuals, 96% of them veterans of the Vietnam conflict.

- The Department of the Interior provides elementary, secondary, and college level education and vocational training for Indians and Alaskan natives. An estimated 73,000 individuals will be given education or training in 1968.
- The Agency for International Development finances both formal and informal education and training of individuals in the developing countries.

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

Agency	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET						
Department of Health, Education, and Welfare:						
Office of Education.....	3,342 (3,342)	4,018 (3,918)	4,155 (4,055)	1,972 (1,972)	3,047 (2,947)	3,556 (3,356)
Public Health Service:						
National Institutes of Health.....	773	852	897	558	790	804
Other Public Health Service.....	200 (200)	341 (341)	433 (421)	84 (84)	193 (193)	285 (270)
Vocational Rehabilitation Administration.....	90	124	151	82	121	146
Welfare Administration.....	47	60	64	43	57	66
Other Health, Education, and Welfare.....	28	26	104	22	30	50
Total, Department of Health, Education, and Welfare.....	4,475 (4,479)	5,421 (5,321)	5,803 (5,691)	2,762 (2,762)	4,238 (4,138)	4,906 (4,691)
Department of Defense:						
Military activities:						
Army.....	743	1,013	857	715	1,008	856
Navy.....	513	586	560	511	573	558
Air Force.....	645	711	695	625	707	701
Other.....	54	52	50	52	48	50
Civil activities.....	20	21	25	16	25	27
Total, Department of Defense.....	1,975	2,384	2,188	1,918	2,361	2,191
Office of Economic Opportunity ¹	742	892	1,291	588	841	1,115
National Science Foundation.....	480	480	526	368	395	455
Veterans Administration.....	80	415	472	79	415	472
Department of Labor.....	408	405	415	283	284	304
Department of Housing and Urban Development.....	300 (300)	9 (9)	345 (345)	312 (312)	347 (-253)	340 (-1,260)
Department of the Interior.....	205	237	240	205	216	243
Economic Assistance ¹	137	160	225	82	108	158
Department of Agriculture.....	188	192	205	170	182	196
Atomic Energy Commission.....	108	119	120	103	115	120
National Aeronautics and Space Administration.....	143	117	111	119	141	136
Department of State.....	67	62	64	69	66	66
District of Columbia.....	22	30	62	20	32	36
Peace Corps ¹	57	50	55	47	47	50
Military Assistance ¹	67	56	42	67	51	42
Library of Congress.....	26	32	38	25	31	37
Smithsonian Institution.....	27	32	37	30	41	42

¹ Funds appropriated to the President.

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

Agency	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET—Con.						
Department of Transportation.....	32	31	33	32	32	32
Department of Commerce.....	12	15	23	11	14	20
National Foundation on the Arts and the Humanities.....	6	11	16	1	8	15
Department of Justice.....	8	9	13	4	9	12
United States Information Agency.....	8	10	11	8	10	11
General Services Administration.....	4	4	5	4	4	5
Tennessee Valley Authority.....	2	2	2	2	2	2
U.S. Government Printing Office.....	1	1	1	1	1	1
U.S. Arms Control and Disarmament Agency.....	1	1	1	1	1	1
Small Business Administration.....	1	1	1	1	1	1
Total budget funds for education, training and related programs.....	9,587 (9,587)	11,175 (11,075)	12,346 (12,234)	7,313 (7,313)	9,993 (9,293)	11,009 (9,194)
TRUST FUNDS						
Department of Health, Education, and Welfare: Social Security.....	1	15	15	1	15	15
Department of Housing and Urban Development.....					-10	-37
Department of Transportation.....	2	4	6	2	4	6
Library of Congress.....	3	2	2	2	2	2
Smithsonian Institution.....	*	2	2	*	2	2
National Foundation on the Arts and the Humanities.....	*	2	2	*	2	2
Department of Labor.....	1	1	1	1	1	1
Department of State.....	*	1	1	*	1	1
General Services Administration.....	*	*	*	*	*	*
Total trust funds for education, training and related programs.....	7	27	30	7	16	-7
Total funds provided for education, training, and related programs..	9,595	11,202	12,375	7,320	10,010	11,002
Participation sales.....		-100	-112		-700	-1,815
Total net budget and trust funds for education, training and related programs.....	9,595	11,102	12,263	7,320	9,310	9,187

*Less than \$500 thousand.

Note.—Figures in parentheses represent amounts after proceeds from loan participation sales.

The forward momentum of Federal education, training, and related programs is indicated by the 28% increase of new obligational authority from 1966 to 1968. Of the \$12.3 billion total for 1968, nearly \$5.7 billion, 46%, is for the Department of Health, Education, and Welfare—a growth of over 27% in 2 years for HEW. The Department of Defense's share in the new obligational authority for 1968 is

\$2.2 billion, or 18%. All other agencies will receive \$4.4 billion, or 36%, of total new obligational authority for 1968.

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 by the level of education aided or the type of assistance provided.

The *promotion of higher education* will amount to \$4.5 billion in 1968, 37% of total new obligational authority requested for 1968. Support of facilities, equipment, and institutional development, largely by the Office of Education and the National Science Foundation, comprise nearly \$1.2 billion. Support of undergraduate, graduate, and professional training, in which many agencies participate, will account for nearly \$1.9 billion. In addition, students will receive three-quarters of a billion dollars of private loans guaranteed by the Government not reflected in these figures. 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 \$1.5 billion. Total outlays for higher education, including aid financed by participation sales of \$0.7 billion in 1967 and \$1.8 billion in 1968, will rise from nearly \$3.6 billion in 1967 to over \$4.0 billion in 1968.

The second largest category, \$3.2 billion of new obligational authority, or 26%, will be for aid to *preschool, elementary, and secondary education*. In this category, more than \$1.6 billion will be for programs authorized by the Elementary and Secondary Education Act of 1965, mostly for educationally deprived children from low-income families. An estimated 8.5 million low-income children will be aided in 1968 under title I of this act. In addition Head Start will help 737,000 children and thousands of children in the primary grades will be aided through a new Head Start followup program.

The third largest category, \$1.8 billion of new obligational authority in 1968, is for *vocational education, work training, and other adult or continuing education programs*. It encompasses the vocational educational programs of the Office of Education, the Manpower Development and Training program of the Department of Labor, and training components of numerous programs financed by the Office of Economic Opportunity. The OEO programs in 1968 will provide for an average of 38,000 Job Corps enrollees, 355,000 full-year and summer Neighborhood Youth Corps job and training opportunities, and many thousands of adult work-training or employability training places.

The fourth largest category, \$1.7 billion in new obligational authority, is for *training of Federal governmental personnel*. About 96% of these funds are for technical and professional training of military personnel in skills which are usable in civilian occupations. An estimated 0.7 million military personnel will receive such education or training for varying durations under Defense Department auspices in 1968, including 87,000 recruits or inductees who will be given special help to bring them up to acceptable standards. The amounts for the service academies and off-duty training are included as higher education.

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		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
1. Preschool, elementary, and secondary:						
(a) General support:						
(1) Operations:						
Existing programs	683	794	905	562	670	769
Proposed legislation			18			13
(2) Facilities:						
Existing programs	294	281	245	234	283	262
Proposed legislation			21			
(b) Education of special groups	1,294	1,549	1,842	956	1,433	1,632
(c) Teacher training	128	143	180	86	122	154
Subtotal, preschool, elementary, and secondary	2,399	2,767	3,212	1,838	2,508	2,830
2. Higher education:						
(a) Facilities, equipment, and institutional development of physical facilities	1,215 (1,215)	1,159 (1,059)	1,252 (1,152)	521 (521)	765 (65)	948 (-752)
(b) Support of undergraduate students:						
(1) Support of individuals:						
Existing programs	495 (495)	802 (802)	861 (849)	408 (408)	761 (761)	829 (814)
Proposed legislation			2 (2)			100 (-100)
(2) Institutional support	73	139	191	11	76	138
(c) Support of graduate and professional training:						
(1) Support of individuals	308	369	392	217	323	362
(2) Institutional support	255	299	340	162	245	282
(d) Research, except educational research	1,280	1,360	1,467	1,075	1,307	1,366
(e) Other	72	102	102	45	73	96
Subtotal, higher education	3,698 (3,698)	4,232 (4,132)	4,610 (4,498)	2,438 (2,438)	3,550 (2,850)	4,021 (2,206)
3. Vocational education, work-training and other adult or continuing education:						
Existing programs	1,277	1,456	1,781	1,021	1,341	1,542
Proposed legislation			30			12
4. Educational research, curriculum development, etc.	135	137	164	65	116	134
5. Training of Federal governmental personnel:						
(a) Military personnel	1,408	1,794	1,572	1,397	1,767	1,580
(b) Civilian personnel	77	82	88	74	81	88
6. International educational activities:						
Existing programs	297	306	347	242	251	295
Proposed legislation		4	6		4	6
7. Other:						
Existing programs	303	424	543	244	392	481
Proposed legislation		*	23		*	15
Subtotal, existing programs	9,595	11,197	12,275	7,320	10,005	11,056
Subtotal, proposed legislation		5	100		5	-54
Total funds provided for education, training, and related programs	9,595	11,202	12,375	7,320	10,010	11,002
Participation sales		-100	-112		-700	-1,815
Total net budget and trust funds for education, training, and related programs	9,595	11,102	12,263	7,320	9,310	9,187

* Less than \$500 thousand.

Note.—Figures in parentheses represent amounts after proceeds from loan participation sales.

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 will have estimated total outlays of \$4.6 billion, 42% of the total outlays for education, training, and related programs from the Federal Government. Of the new obligational authority, however, they comprise \$5.2 billion or 43%. 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 Department of Housing and Urban Development, and certain other smaller programs, such as education of Indians by the Department of the Interior, and activities of the Smithsonian Institution and the Library of Congress.

Expenditures of \$6.4 billion in 1968 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 1968, such expenditures are estimated as follows:

- \$2.3 billion in "national defense," including \$1.6 billion for training of military and civilian personnel, nearly \$0.3 billion for research support at universities by the Department of Defense, and \$120 million by the Atomic Energy Commission, mostly for university-based research.
- \$2.7 billion in "health, labor, and welfare," encompassing the economic opportunity programs of \$1.1 billion, the health research and training programs of \$1.1 billion, and \$0.5 billion for the activities of the Welfare Administration, Vocational Rehabilitation Administration, the manpower development programs, and various other smaller programs.
- \$0.5 billion in "veterans benefits and services" for vocational rehabilitation of disabled ex-servicemen, educational benefits for children of deceased servicemen, new Vietnam readjustment benefits, and training of VA medical personnel.
- \$0.3 billion for the expanded education aid programs in the "international affairs" category mostly through the Agency for International Development and the Department of State, including the training activities of the Peace Corps.
- \$172 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.

- \$0.2 billion 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 at institutions of higher education 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 26,500 teachers in 1968, about 6,500 more than in 1967, and about 1,800 fewer than in 1966. Likewise, the science institutes and cooperative college-school programs financed by the National Science Foundation are expected to assist about 43,700 high school teachers in 1968, 5,600 more than in 1967, and 300 fewer than in 1966. Altogether, through institutes, fellowships, and traineeships, the Federal Government will aid in training and updating the skills of about 123,000 teachers in fiscal 1968, including 102,000 for elementary and secondary schools.

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

Agency	Fellowships			Research assistantships			Traineeships			Total		
	1966	1967	1968	1966	1967	1968	1966	1967	1968	1966	1967	1968
Department of Defense (Military).....				15.4	17.2	18.2				15.4	17.2	18.2
Department of Health, Education, and Welfare:												
Office of Education.....	16.2	22.8	25.5	1.2	.9	1.1	3.8	4.5	4.7	21.2	28.2	31.3
Public Health Service:												
National Institutes of Health.....	5.6	5.5	5.6	7.6	8.3	9.0	22.0	23.6	24.6	35.2	37.4	39.2
Other Public Health Service.....	.4	.4	.4	.4	.5	.5	8.8	9.5	7.6	9.6	10.4	8.5
Other.....	.1	.2	.2				6.6	7.6	7.7	6.7	7.8	7.9
Atomic Energy Commission.....	.4	.4	.4	4.2	4.4	4.5	.1	.1	.1	4.7	4.9	5.0
National Aeronautics and Space Administration.....	.2	.4	.4				1.3	.8	.3	1.5	1.2	.7
National Science Foundation.....	4.1	2.7	2.7	6.0	6.5	7.3	4.2	5.9	6.3	14.3	15.1	16.3
Other.....	3.1	2.9	3.0		*	*	6.0	6.2	6.7	9.1	9.1	9.7
Total.....	30.1	35.3	38.2	34.8	37.8	40.6	52.8	58.2	58.0	117.7	131.3	136.8

* Less than 50.

Aid to undergraduate college students which began in substantial proportions under the NDEA loan program has been greatly expanded under the Higher Education Act of 1965. The trend of undergraduate college student aid in the fiscal years 1965-68 is sharply upward:

Program	1965 actual	1966 actual	1967 estimate	1968 estimate
Aid provided (millions):				
Federal: New obligational authority.....	\$147	\$371	\$752	\$903
Private: Federally insured loans.....		79	479	638
Number of grants and loans to students (thousands):				
NDEA direct Federal loans.....	317	400	435	437
Insured private loans.....		105	480	750
Work-study grants.....		190	191	226
Educational opportunity grants.....		134	221	285
Veterans Administration grants ¹	17	17	455	478
Total grants and loans ²	334	846	1,782	2,176

¹ Includes vocational rehabilitation of disabled, war orphans, and benefits for veterans of Vietnam conflict.

² The number of individuals aided is smaller because some students receive several types of aid.

In addition to the foregoing, a program of insured loans starting in 1967 will guarantee 150,000 loans in 1967 and 262,500 in 1968 for students enrolled in vocational education courses, providing aid of \$60 million and \$105 million, respectively.

Proposed legislation.—The budget contains several legislative proposals for aid to education for which specific amounts of funds are provided, including the following:

- Vocational education project grants, new obligational authority \$30 million; expenditures \$12 million.
- Grants to States and localities for educational evaluation and planning, new obligational authority \$15 million; expenditures \$10 million.
- Extension and expansion of Federal support for educational television, new obligational authority \$20 million; expenditures \$12 million.
- Sales of participations in NDEA student loans, net new obligational authority \$2 million; net expenditures —\$100 million.
- Aid to Ryukyu Islands, new obligational authority, \$6 million; expenditures \$6 million.
- District of Columbia revenue proposals, new obligational authority \$24 million; expenditures, \$2 million.

Other proposed legislative items covered in the general contingencies of the budget or in the allowances for ongoing programs include (1) extension and enlargement of the Teacher Corps, (2) more flexible authority for teacher training, (3) aid for education of handicapped children, (4) authority to adjust the present 3% statutory interest rate in college facilities programs to a more reasonable level, and (5) establishment of a new program to support training of personnel for State-local government service.

Coverage of 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 Federal and State and local governments or between 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 practicable to obtain data.

The amounts reported in this analysis include training and other programs also covered in other special analyses. For example, the analysis of health programs includes the training and university research programs of the health agencies. Thus, if the amounts reported in two or more special analyses are to be added together, provision should be made to eliminate the overlapping programs.

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 \$45 billion during the school year ending 1966, approximately 6.7% of the gross national product. Nearly \$30 billion was spent for elementary and secondary education and slightly more than \$15 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 and school milk programs and about \$550 million in funds for research and development in university-managed off-campus research centers for 1966.

If the figures for the funds in this special analysis for fiscal year 1966 are adjusted to correspond with those in the series prepared by HEW, the Federal funds for elementary and secondary education total approximately \$2.1 billion, or about 7% of all public and private outlays in the corresponding category; and funds for higher education would total about \$3.3 billion or about 22% 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 12%.

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		
		1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS							
National defense:							
Department of Defense:							
Support of overseas schools for dependents.....	051	79	85	94	79	85	93
Service academies, construction, equipment, and operation.....	051	133	119	121	101	131	121
Research grants and contracts with educational institutions.....	051	274	294	300	268	283	295
Professional, technical, and related training:							
Military personnel.....	051	1,448	1,840	1,623	1,435	1,813	1,631
Civilian personnel.....	051	7	10	11	7	10	11
Civil defense research and training.....	051	14	14	14	13	14	14
Military assistance: Training of military and civilian personnel administered by Department of Defense from funds appropriated to the President.....	057	67	56	42	67	51	42
Atomic Energy Commission:							
Research, including conduct and facilities.....	058	94	105	104	90	100	105
Graduate and professional training and related support for higher education.....	058	8	8	8	8	8	8
Other.....	058	6	7	8	6	7	6
Total, national defense.....		2,130	2,537	2,325	2,073	2,501	2,326
International affairs and finance:							
Peace Corps: Training activities.....	152	57	50	55	47	48	48
United States Information Agency: Information center and library activities, Foreign Service Institute, etc.....	153	8	10	11	8	10	11
Department of State:							
Salaries and expenses: Foreign Service Institute, grants to overseas schools, etc.....	151	8	9	9	8	9	9
Mutual educational and cultural activities: Largely American and foreign student, teacher, professor, specialist, and leader exchange programs.....	153	53	47	49	55	51	50
Educational and cultural affairs: Center for Cultural and Technical Interchange Between East and West.....	153	6	6	6	6	6	6

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		
		1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued							
International affairs and finance—Continued							
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	137	160	225	82	108	158
U.S. Arms Control and Disarmament Agency: Research.....	151	1	1	1	1	1	1
Total, international affairs and finance.....		271	283	356	207	232	285
Space research and technology:							
National Aeronautics and Space Administration: Research and training.....	251	143	117	111	119	141	136
Agriculture and agricultural resources:							
Department of Agriculture:							
Agricultural research service: Training and research, including foreign currency program.....	355	14	16	18	5	5	5
Cooperative State research service: Payments to State agriculture experiment stations for research.....	355	53	57	61	50	56	62
Federal extension service for cooperative extension work.....	355	89	93	97	90	93	97
Other, including National Agricultural Library.....	355	9	3	4	2	5	7
Total, agriculture and agricultural resources.....		166	169	180	148	159	172
Natural resources:							
Department of Agriculture: Forest Service: Largely payments of shared revenues to States and counties for schools.....	402	23	23	25	22	23	24
Department of Defense—Civil: Corps of Engineers: Research and training.....	401	1	1	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	29	31	28	29	30
Bureau of Indian Affairs: School construction, alteration, repair, and maintenance.....	401	42	59	45	50	54	55
Water and saline water research, including assistance to States and research.....	401	17	19	22	13	17	21
Geological Survey research and training.....	409	1	1	2	*	1	2
Tennessee Valley Authority: Mainly in-lieu-of-tax payments and cooperative research.....	401	2	2	2	2	2	2
Total, natural resources.....		114	135	129	116	126	135
Commerce and transportation:							
Department of Commerce:							
Maritime Administration: State schools and other maritime training.....	502	6	6	6	6	7	7
Scientific and technological research.....	506	2	2	3	2	2	3
Other research and State assistance.....	506	5	7	13	3	5	10
Department of Transportation:							
U.S. Coast Guard, principally Coast Guard Academy, education of uniformed personnel and oversea dependents.....	502	13	14	16	13	15	15
Federal Aviation Agency: Principally training of civilian Federal personnel.....	501	19	16	17	19	16	17
Small Business Administration: Training.....	506	1	1	1	1	1	1
Total, commerce and transportation.....		45	47	57	44	47	53
Housing and community development:							
Department of Housing and Urban Development: Grants for training in community development, city planning, and transportation management.....	553		1	6		*	3
District of Columbia:							
Prorated school portion of general Federal contribution.....	555	22	30	38	20	32	33
Proposed legislation.....	555			24			2
Total, housing and community development.....		22	31	69	20	32	39

*Less than \$500 thousand.

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

Functional category, agency, and program	Functiona code	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
		1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued							
Health, labor, and welfare:							
Office of Economic Opportunity (funds appropriated to the President):							
Community Action program:							
Head Start.....	655	180	352	472	76	250	360
Adult training, remedial education, research, etc.....	655	139	132	165	100	108	153
Job Corps—Urban and rural centers.....	655	165	86	178	145	176	178
Neighborhood Youth Corps:							
In-school and summer.....	655	173	154	168	170	141	168
Out-of-school.....	655	5	10	9	4	8	10
Work-study.....	655				33		
Work experience—Adult training, including remedial education.....	655	33	30	21	23	39	35
Adult basic education.....	655	21			22	14	
Education of migrant children.....	655	22	26	17	12	25	22
VISTA—Training of volunteers.....	655	3	5	4	4	5	4
Special unemployment impact work and training programs.....	655		98	258		75	185
Department of Health, Education, and Welfare:							
Public Health Service:							
Construction of medical schools and other health education facilities.....	651	90	160	203	5	45	95
Health professions training.....	651	63	118	161	40	101	122
		(63)	(118)	(149)	(40)	(101)	(107)
Research grants, manpower.....	651	8	10	10	6	9	10
Air pollution programs.....	651	7	8	13	6	6	11
Indian health, and hospitals and medical care.....	651	3	4	5	3	4	5
Other, including chronic and communicable disease, radiological health, and urban industrial health activities.....	651	23	27	28	20	23	23
National Institutes of Health:							
Training.....	651	204	222	234	124	206	225
Research grants.....	651	357	405	442	298	434	432
Research facilities.....	651	46	46	29	21	21	13

National Institute of Mental Health:							
Training	651	95	105	112	63	76	76
Research grants	651	61	64	71	50	52	57
Research facilities	651	10	10	10	2	2	2
National Library of Medicine	651	5	14	13	4	6	20
Welfare Administration:							
Maternal and child welfare grants	651	23	31	35	20	28	36
Public assistance grants to States and assistance to Cuban refugees	653	22	26	29	22	26	29
Juvenile delinquency and youth offenses training activities	659	2	3		2	2	1
Vocational Rehabilitation Administration:							
Research and training	659	37	44	50	29	41	45
Rehabilitation services and training	659	53	80	101	53	80	101
Other health, education, and welfare:							
Freedmen's Hospital and St. Elizabeths: Medical training	651	1	2	2	1	2	2
Department of the Interior: Bureau of Mines: Health and safety training	652	2	2	2	1	1	2
Department of Labor:							
Manpower Development and Training Act: Institutional and on-the-job training	652	397	393	402	275	274	293
Apprenticeship, area redevelopment, and research activities	652	11	12	13	8	11	11
Total, health, labor, and welfare		2,263	2,677	3,254	1,642	2,290	2,724
		(2,263)	(2,677)	(3,242)	(1,642)	(2,290)	(2,709)
Education:							
Legislative branch: Library of Congress	704	26	32	38	25	31	37
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 low-income families)	701	959	1,053	1,200	747	1,043	1,102
Supplementary centers	701	75	135	240	11	65	142
Schoolbooks and strengthening State educational agencies	701	125	132	135	64	114	128
Proposed legislation for educational planning and evaluation	701			15			10
Aid to federally impacted school districts:							
Operation	701	388	416	416	354	381	386
Construction	701	50	23	23	56	41	36
National Defense Education Act for elementary and secondary: School equipment, guidance, testing, and teacher institutes	701	149	144	117	115	136	112
National Teacher Corps	701	10	20	36	*	8	21

*Less than \$500 thousand.

Note.—Figures in parentheses represent amounts after proceeds from loan participation sales.

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		
		1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued							
Education—Continued							
Department of Health, Education, and Welfare—Continued							
Office of Education—Continued							
Civil rights, and other.....	701	9	9	31	6	9	22
Assistance to the handicapped.....	701	28	38	53	15	25	40
Aid for undergraduate and graduate college students:							
Scholarships.....	702	60	115	160	10	59	113
Work-study.....	702	99	134	140	31	108	113
National Defense Education Act loans.....	702	182	193	193	177	189	189
Proposed legislation for NDEA loans.....	702			2			
Higher Education Act: Insured loan program.....	702	10	46	40		38	(-100)
Teacher training:							
Fellowships, elementary and secondary teachers.....	702	20	30	35		20	30
Fellowships, college teachers.....	702	56	81	97	32	57	82
Higher education academic facilities:							
Grants for college, junior college, and graduate facilities.....	702	522	523	450	56	202	309
Loans.....	702	110	301	104	51	53	101
International education.....	702	(110)	(201)	(4)	(51)	(-47)	(1)
Other aids to higher education institutions, including aid to developing colleges.....	702	13	16	37	13	14	18
Expansion and improvement of vocational education.....	704	35	62	62	15	42	57
Proposed legislation for vocational education project grants.....	704	243	275	267	128	222	219
Grants for libraries and community services:				30			12
Public libraries.....	704	55	76	68	41	55	63
Higher education libraries.....	704	11	32	37	*	24	37
Other libraries.....	704	10	39	61	4	35	44
Education research and development.....	704	96	92	105	32	74	83
Other aids to education, including salaries and expenses of Office of Education.....	740	26	33	40	17	34	38

Special institutions and miscellaneous including American Printing House for the Blind, Gallaudet College, Howard University, and educational TV.....	702-704	26	24	43	20	28	31
Educational TV—Proposed legislation.....	704			20			12
Department of Housing and Urban Development: College housing loans.....	702	300	7	338	312	347	338
		(300)	(7)	(338)	(312)	(-253)	(-1,262)
Department of the Interior: Bureau of Indian Affairs: Indian education.....	704	107	119	129	104	106	125
National Foundation on the Arts and the Humanities.....	704	6	11	16	1	8	15
National Science Foundation:							
Basic research and specialized research facilities.....	703	237	232	251	182	188	213
Grants for institutional science programs.....	703	90	98	110	46	59	86
Science education.....	703	124	122	131	123	125	128
Other science activities.....	703	28	29	34	18	23	28
Smithsonian Institution.....	704	27	32	37	30	41	42
Total, education.....		4,315	4,723	5,345	2,834	4,004	4,616
		(4,315)	(4,623)	(5,245)	(2,834)	(3,304)	(2,816)
Veterans benefits and services:							
Veterans Administration:							
Compensation and pensions: Subsistence allowances for veterans in vocational rehabilitation.....	800	12	16	15	12	16	15
Readjustment benefits: Aid under War Orphans' Educational Assistance Act, Veterans' Readjustment Benefits Act, and vocational rehabilitation for disabled veterans.....	803	36	365	421	36	365	421
Training of medical personnel engaged in VA medical activities.....	804	32	34	35	30	34	35
Total, veterans benefits and services.....		80	415	472	79	415	472
General government:							
Legislative branch: Government Printing Office: Distribution to depository libraries..	910	1	1	1	1	1	1
Department of Defense—Civil:							
Canal Zone Government, contribution to schools, including capital outlay.....	910	16	10	12	12	15	14
Ryukyu Islands administration:							
Schools.....	910	4	6	6	3	5	5
Proposed legislation.....	910		4	6		4	6
Department of the Interior: Administration of territories, including Samoa and Trust Territory of the Pacific, prorated portion for schools.....	910	8	8	8	8	8	9
Department of Justice: Vocational training in Federal prison industries and training in law enforcement.....	908	8	9	13	4	9	12

*Less than \$500 thousand.

Note.—Figures in parentheses represent amounts after proceeds from loan participation sales.

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		
		1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued							
General government—Continued							
General Services Administration: National Archives services, Presidential library activities, and national historical publications grants.....	905	4	4	5	4	4	5
Total, general government.....		42	42	52	33	46	53
Total administrative budget funds for education, training, and related activities.....		9,587 (9,587)	11,176 (11,076)	12,346 (12,234)	7,313 (7,313)	9,993 (9,293)	11,009 (9,194)
TRUST FUNDS							
International affairs and finance:							
Department of State: Educational Exchange Trust Fund.....	150	*	1	1	*	1	1
Health, Education, and Welfare:							
Department of Health, Education, and Welfare: Education and training by Social Security Administration for vocational rehabilitation.....	654	1	14	15	1	14	15
Department of Labor: Grants to States for school counseling and testing by employment service.....	652	1	1	1	1	1	1
Education:							
Legislative branch: Library of Congress, gift and trust fund income accounts.....	704	3	2	2	2	2	2
Department of Housing and Urban Development: participation sales trust fund.....	702					-10	-37
Smithsonian Institution.....	704	*	2	2	*	2	2
National Foundation on the Arts and the Humanities; fund for private contributions..	704	*	2	2	*	2	2
Transportation:							
Bureau of Public Roads: Research and development.....	503		3	3	2	3	3
National Highway Safety Bureau: Proposed legislation.....	503		*	3		*	3

General government:						
General Services Administration: National Archives gift fund.....	905	*	*	*	*	*
Total, trust funds for education, training, and related programs.....		7	27	30	7	16
Total funds provided for education, training, and related programs.....		9,595	11,202	12,375	7,320	10,010
Participation sales.....			(100)	(112)		(700)
Total net budget and trust funds for education, training, and related programs.....		9,595	11,102	12,263	7,320	9,310
						9,187

*Less than \$500 thousand.

Note.—Figures in parentheses represent amounts after proceeds from loan participation sales.

SPECIAL ANALYSIS H

FEDERAL HEALTH PROGRAMS

This analysis summarizes the medical and health-related expenditures of the Federal Government. It includes activities classified in the "Health, Labor and Welfare" function, as well as health programs which are undertaken and classified as part of another function such as "National Defense" or "Education."

Under this broader categorization, Federal cash payments to the public will rise \$1.6 billion over 1967, to a total of \$12.4 billion in 1968. This spending will finance a wide variety of activities—hospital care and medical treatment in Federal and non-Federal facilities, medical research, training health manpower, construction of health facilities, and preventive and community health programs. Of total Federal payments to the public in 1968 for all purposes, 7.2% will be paid out for health and related programs. This compares with 6.7% in 1967 and 4.3% in 1966. In the 2-year period, 1966–68, it is estimated that these cash payments for health will more than double, with about 60% of the increase due to the enactment of Medicare.

Federal health expenditures constitute a significant proportion of the Nation's total outlay for health. Based on estimates developed by the Social Security Administration for fiscal year 1966, the Federal portion of health expenditures represented 14% of the Nation's total expenditure of about \$43 billion. With the expansion in health care programs financed out of Federal funds after 1966, particularly for the aged and the indigent, Federal expenditures in 1968 will represent an even larger percentage of the total national expenditure for health. Similarly, these recent Federal expansions in health care have resulted in a major redistribution in the purposes for which the Federal health dollar is spent. In 1963, 40% of the total Federal health expenditures of \$4.7 billion were for direct care provided in Federal facilities—primarily by the Department of Defense and the Veterans Administration. In 1968, on the other hand, while direct patient care will continue to increase, it will account for only 21% of the Federal health dollar.

Recent trends in Federal health expenditures.—The declining proportion of expenditures for direct health care reflects the changing role of the Federal Government in the provision of health services. The new and expanded Federal initiatives are illustrated under the following six headings:

a. Programs to remove the financial barriers to health care.

- Medicare, enacted in 1965, provides social insurance to cover hospital costs incurred by the aged. Practically all of our 19 million aged are protected. Medicare also established a voluntary system to insure against the costs of doctor bills—financed by

monthly premium payments by the aged and by a matching Federal contribution. Over 90% of our aged have enrolled in this voluntary program.

- Medicaid, also enacted in 1965, provides Federal grants to State programs paying for medical care for needy citizens. Some 28 States are now operating under this program, and by the end of 1968 it is expected that 48 States will have adopted this program and will help meet the medical costs of about 8 million people.

- The Head Start and Neighborhood Health Centers programs funded by the Office of Economic Opportunity, special infant and child health and maternity care programs supported by the Children's Bureau, and health centers financed under the Appalachian programs were all initiated in recent years to make quality medical care available to medically indigent persons.

b. Programs to meet the manpower, facility, and other resource requirements of the health care system.

- As a result of the Health Professions Educational Assistance Act of 1963, and subsequent amendments, the first-year enrollment of our medical schools will increase from 9,213 in 1963 to 10,020 in 1968. With this added enrollment, more than 700 additional doctors a year will be entering practice by 1972. Similarly, with help provided by the Nurse Training Act of 1964, the number of graduating nurses will increase by 17% from 32,800 in 1965 to 38,700 in 1968. The Allied Health Professions Personnel Training Act of 1966 is similarly designed to increase auxiliary health workers.

- The Community Mental Health Centers Construction Act, enacted in 1963, and subsequent amendments will have provided by 1968 construction aid to approximately 331 community mental health centers.

- Largely as a result of the report of the President's Panel on Mental Retardation and enactment of implementing legislation, obligations by the Department of Health, Education, and Welfare to construct university and community mental retardation service centers will reach \$25 million by 1968.

- As a result of the Heart, Stroke, and Cancer Amendments of 1965, a grid of about 53 Regional Medical Programs will span the country by 1968 to disseminate advanced diagnosis and treatment methods from university medical centers to physicians practicing at the community level.

- The Hill-Burton program was extended in 1964 for 5 years. The extension authorizes a total of \$1.34 billion in additional grants and loans to provide for construction or modernization of approximately 33,000 beds per year.

- Hospitals and other medical care facilities will have funds available for acquiring additional or replacing existing medical care resources as a result of Medicare payments covering depreciation of that portion of facilities and equipment devoted to health care for the aged.

c. Programs to improve the delivery of health care.

- Many of the programs listed above also are exploring ways to make our health care system more effective. In addition, there is a small but increasing amount of funds available, estimated at \$35

million in 1968, to develop new or more efficient methods of delivering health and medical care. This effort, principally by the Department of Health, Education, and Welfare, will increase from about \$15 million in 1966. Since there is relatively little comparable research privately supported, these expenditures cover most of this type of research in the health industry.

d. Programs to protect the consumer and to improve the quality of our physical environment.

- Under the authority of the Clean Air Act of 1963, and subsequent amendments, more than 150 State and local air pollution control agencies have received Federal assistance for establishing, developing, and improving programs of pollution control. Under the authority of the act, eleven Federal enforcement actions to abate interstate pollution have been undertaken and emission control standards have been promulgated and will be applied to all new automobiles beginning with the 1968 models.

- All of the drugs approved by Food and Drug Administration on the basis of safety alone since 1938 will, as a result of the Kefauver-Harris Amendments of 1962, be reevaluated on the basis of efficacy as well as safety. Under the Drug Abuse Control Amendments of 1965, a nationwide program has been inaugurated to stop the illegal production and traffic in dangerous drugs affecting the central nervous system.

e. Programs designed to improve the effectiveness of joint Federal-State-local government health efforts.

- As a result of Public Law 89-749, the Partnership-for-Health Act, State and local governments will be given financial assistance to establish comprehensive health planning units. In addition, six existing State formula grant programs will be consolidated to reduce the fragmentation of governmental effort. Special project grants will support efforts to meet specialized national or regional health problems and to encourage new approaches in furnishing health services.

- Assistance, mostly in the form of vaccines, was given to State and local governments under the Vaccination Assistance Act of 1962, as amended, to provide 250 million immunizations for preschool children against polio, diphtheria, whooping cough, tetanus, and measles.

- As a result of the Vocational Rehabilitation Amendments of 1965, States will on the average receive 75% of rehabilitation costs compared with an average of about 60% previously.

f. Programs to advance research in the cause, treatment, and prevention of diseases.

- Between 1960 and 1968, Federal expenditures for biomedical research will more than triple. New insights have been achieved in the prevention of rubella, leukemia, and other disabling diseases. Major development programs have been launched on programs to develop artificial organs, vaccines, and chemotherapeutic agents.

Distribution of Federal health programs by agency.—While over 20 agencies conduct or support health programs, 90% of total health expenditures is concentrated in 3 agencies. Table H-1 shows the expenditures for each agency.

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

Agency	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET			
Department of Health, Education, and Welfare:			
Public Health Service:			
National Institutes of Health.....	738.8	929.9	989.2
National Institute of Mental Health.....	164.3	194.9	217.6
Other.....	633.5	866.2	1,095.2
Welfare Administration.....	863.8	1,196.7	1,407.9
Social Security Administration.....		971.8	917.6
Other.....	141.1	198.6	238.6
Proposed legislation (net).....			42.0
Total, Department of Health, Education, and Welfare.....	2,541.5	4,358.1	4,908.1
Department of Defense:			
Army.....	436.8	666.2	716.5
Navy.....	367.9	428.1	461.3
Air Force.....	398.7	440.7	445.7
Other.....	9.0	7.8	7.3
Total, Department of Defense.....	1,212.4	1,542.8	1,630.8
Veterans Administration.....	1,306.7	1,381.7	1,471.5
Agency for International Development.....	120.0	198.7	223.9
Atomic Energy Commission.....	93.9	98.6	102.8
Department of Agriculture.....	126.7	141.1	154.0
National Aeronautics and Space Administration.....	73.0	81.8	85.7
Department of Housing and Urban Development.....	27.5	28.6	103.0
National Science Foundation.....	24.2	25.0	25.0
Civil Service Commission.....	29.2	36.6	40.7
Office of Economic Opportunity.....	48.2	120.2	140.5
Department of Commerce.....	.5	3.8	25.2
Department of State.....	21.0	25.3	26.7
Department of Labor.....	30.4	48.9	71.4
Other agencies.....	60.4	74.9	66.3
Contributions by Federal agencies to Federal employees' health benefits funds not included above.....	139.8	185.1	189.1
Interfund transactions.....		-1,021.8	-991.6
Total net budget expenditures for health.....	5,864.3	7,329.4	8,237.1
TRUST FUNDS			
Department of Health, Education, and Welfare:			
Social Security Administration.....	64.5	3,525.8	3,971.6
Proposed legislation.....			200.0
Civil Service Commission, net.....	1.5	-3.0	-14.3
United States Soldiers' Home.....	7.2	8.4	10.1
Total trust fund expenditures for health.....	73.2	3,531.2	4,167.4
Total budget and trust fund expenditures for health.....	5,927.5	10,860.6	12,440.5

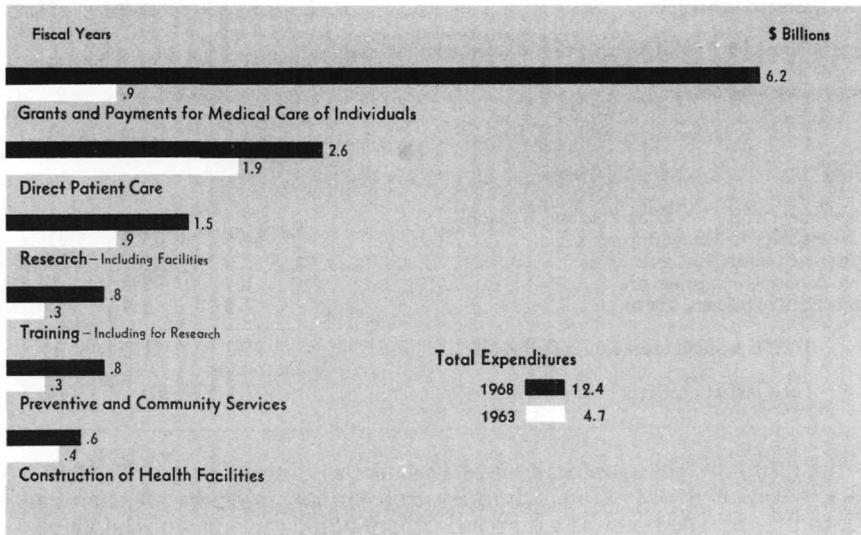
Spending by the Department of Defense will increase by \$88 million to a total of \$1.6 billion primarily due to the military situation in Vietnam and the resultant increase in personnel strength of the armed services, and will account for 13% of the total. The Veterans Ad-

ministration expenditures for health will approximate \$1.5 billion, an increase of \$90 million over 1967. The increase will provide new medical services such as intensive care units, open heart surgery, pulmonary emphysema units, clinical radioisotope facilities in many of the VA hospitals. VA expenditures will account for 12% of the total Federal payments for health.

In 1968, \$8.1 billion or 65% of all Federal expenditures for health will be spent by the Department of Health, Education, and Welfare. This compares with 42% in 1963. This sharp increase reflects the fact that nearly all of the major new programs identified in the previous section are managed by this Department. Unlike the Department of Defense and the Veterans Administration, the Department of Health, Education, and Welfare spends only a small portion of its health funds (2%) for direct care and treatment provided in its own hospitals and clinics. The major share of the Department's expenditures include \$4.2 billion from trust funds for health care services under Medicare, and \$1.2 billion from the administrative budget to support the Federal-State medical assistance program for the needy. Aside from these payments for health care, the Department's major spending efforts will support: medical research, training health personnel, construction of medical facilities throughout the country, and efforts to control the purity of food, drugs, and air.

The remaining \$1.3 billion of the estimated expenditures in 1968 will be made by some 20 departments and agencies. Among these, the largest amounts will be spent by the Agency for International Development for health activities in other countries and the Office of Economic Opportunity for care and treatment provided the poor, the Department of Agriculture for research and animal inspections, and the the Department of Housing and Urban Development primarily for construction of community health related facilities.

Federal Expenditures, Medical and Health-Related Activities by Category - 1963 and 1968



Distribution of Federal health expenditures by category.—Table H-2 shows total Federal health related expenditures for the 3 fiscal years 1966-68 by six functional categories. The preceding chart contrasts the 1963 and 1968 Federal outlays in these categories.

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

Category	1966 actual	1967 estimate	1968 estimate
Hospital and medical care in Federal facilities.....	2,199.0	2,504.6	2,614.7
Federal grants and payments for hospital and health care in non-Federal facilities.....	1,321.8	5,273.4	6,237.5
Medical research, total.....	1,167.3	1,385.0	1,450.8
(a) Conduct of research.....	(1,102.5)	(1,293.2)	(1,359.6)
(b) Research facilities.....	(64.8)	(91.8)	(91.2)
Training, including training for research.....	410.4	623.0	762.5
Preventive and community services.....	451.0	632.3	820.1
Construction of hospitals and health facilities.....	378.0	442.3	554.9
Total expenditures from administrative budget and trust accounts.....	5,927.5	10,860.6	12,440.5

Direct care expenditures are estimated at \$2.6 billion, or 21% of the total. Most of this pays for service in hospitals of the Department of Defense, Veterans Administration, and the Department of Health, Education, and Welfare which have about 11% of all the hospital beds in the United States. (Table H-3 presents for the 3 years the number of hospitals, beds and average daily patient load in Federal hospitals.) The people eligible for direct medical treatment in Federal installations are servicemen and retired military personnel and their dependents; veterans with service-connected disabilities; veterans with non-service-connected illness to the extent that beds are available, and the veteran certifies his inability to pay for care in private facilities. Aside from these, other eligible persons—though in much smaller numbers—include Federal employees injured on the job, American Indians and natives of Alaska, American seamen, inmates of Federal prisons, and narcotic addicts.

Expenditures for care in non-Federal facilities are estimated at \$6.2 billion in 1968 or 50% of the total expended by Federal health programs. About \$280 million of this total are expenditures by the Department of Defense and the Veterans Administration for their beneficiaries in those cases where Federal facilities are not available. But the largest share of these expenditures represent payments under

Medicare and the Medicaid program. The following tabulation summarizes the operations of these programs. (All figures in millions.):

	1966		1967		1968	
	Number of individuals receiving benefits	Federal expenditures	Number of individuals receiving benefits	Federal expenditures	Number of individuals receiving benefits	Federal expenditures
Medicare:						
For hospital bills.....		¹ \$65	4.3	\$2,480	4.7	\$2,876
For doctor bills.....			5.2	996	5.5	1,296
Medicaid.....	1.6	202	6.4	884	8.0	1,162

¹ Tooling up costs.

Health benefits are provided to more than 2.3 million Federal civilian employees and their 4.8 million dependents under insurance programs managed by the Civil Service Commission. A similar program provides benefits for 215 thousand retired employees and their dependents. These payments are made from trust revolving funds combining the premium deposits of the agencies and their employees. Since these are revolving funds, with receipts offsetting expenditures, only the net effect of trust fund transactions is included in the total for this category. The Governments' contribution however, amounting to \$170 million in 1966, \$223 million in 1967, and \$230 million in 1968 are included in this category.

Medical research expenditures are estimated at \$1,450 million or 12% of the Federal health expenditures. This category reflects the activities of many agencies, although the National Institutes of Health and the National Institute of Mental Health will spend \$895 million or about 60% of the total Federal medical research effort.

A comparison of current expenditures with 1960 graphically demonstrates the sharp increase which has taken place in the national medical research effort. Between 1960 and 1966 total national expenditures, both public and private, in support of medical research increased 150%, from \$830 to \$2,050 million. Projections indicate that a national level of effort approximating \$2.5 billion will be achieved in 1968. Since 1960, Federal expenditures have risen from \$444 million to \$1,450 million in 1968.

Health manpower training programs continue to expand, reaching \$762 million in 1968. The Public Health Service will spend 65% of this total for the construction of nurse training facilities, schools for the education of doctors, dentists, and other professional and allied health personnel and for student loans, scholarships, traineeships, and institutional support. The 1968 programs will support, via loans and scholarships, 16,400 medical, 5,900 dental, 28,000 nursing and about 1,200 students in other health service professions. Other agencies having major health training programs are the Department of Defense (\$75 million), the Department of Labor (\$55 million), and the Veterans Administration (\$39 million).

Preventive and community services account for \$820 million of total expenditures and are \$369 million above 1966. An important

change in the relation of Federal to State and community health programs will take place with the implementation of the Partnership for Health Act in 1968. This program will help the States develop integrated plans and programs combining services, facilities, and manpower in a concerted effort to solve high-priority health problems. In addition, it will substitute a new system of general support and project grants for a variety of categorical grants which have in the past fragmented the local system of health services. Aid to States and localities to control environmental hazards will also be expanded. Efforts to control air pollution, for example, will double in 1968 to a level of \$50 million.

Construction of hospitals and other health facilities will result in 1968 expenditures of \$555 million, an increase of \$113 million. Of this total, \$235 million will be for the construction of community facilities supported through Hill-Burton program construction grants. Defense construction accounts for \$55 million and VA construction for \$77 million of the total.

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

	1966 actual	1967 estimate	1968 estimate
Number of hospitals:			
Defense.....	234	237	235
Health, Education, and Welfare.....	63	63	65
Veterans Administration.....	165	167	167
Other.....	35	35	32
Total.....	497	502	499
Number of operating beds:			
Defense.....	45,127	57,577	60,899
Health, Education, and Welfare.....	14,714	14,660	14,676
Veterans Administration.....	118,486	118,852	119,929
Nursing home beds included in total.....	(1,475)	(3,000)	(4,000)
Other.....	2,623	2,623	2,584
Total.....	180,950	193,712	198,088
Average daily patient load:			
Defense.....	31,792	39,980	43,866
Health, Education, and Welfare.....	12,336	12,056	11,898
Veterans Administration.....	108,634	109,082	110,036
Nursing home beds included in total.....	(1,245)	(2,790)	(3,720)
Other.....	1,628	1,709	1,698
Total.....	154,390	162,827	167,498

Payments for health care services by population grouping.—Table H-4 distributes the estimated Federal expenditures for health care provided directly in Federal installations or via payments or grants for health care delivered by non-Federal facilities and medical practitioners—the sum of the first two lines of table H-2. As this tabulation represents the initial attempt at a population classification in this analysis, the figures should be viewed as trend indicators and as reasonable estimates.

Table H-4. ESTIMATED FEDERAL HEALTH CARE EXPENDITURES BY POPULATION GROUPS (in millions of dollars)

	Aged (65 and over)			Children and youth (0-21)			Other adults (22-64)		
	1966	1967	1968	1966	1967	1968	1966	1967	1968
Department of Health, Education, and Welfare:									
Medicare ¹	65	3,479	3,972						150
Medical assistance (includes Medicaid).....	689	728	785	21	123	221	60	188	177
Child and maternal health.....				65	104	133	16	33	50
Other HEW health programs.....	15	18	21	27	28	29	120	150	182
Office of Economic Opportunity.....	2	9	12	36	84	100	7	22	27
Veterans Administration.....	400	420	450				752	816	855
Department of Defense.....	22	28	30	328	417	453	686	874	950
Other Federal health programs.....	28	34	36	51	67	67	130	157	154
Total.....	1,221	4,716	5,306	528	823	1,003	1,771	2,240	2,545

¹ Under proposed legislation for the disabled there may be a small but not significant number of children covered in 1968.

The aged.—Because of prior studies made by the Department of Health, Education, and Welfare, firmer estimates can be made of the total—public and private—expenditures for health care for the aged than for other age groupings. In 1968, total public and private health care expenditures by or for the aged are estimated at about \$10 billion. Of this estimate, \$5.3 billion will be derived from Federal programs—primarily Medicare which is estimated to spend \$4.0 billion in 1968. This is a marked shift, as well as a significant dollar increase from 1966 health care expenditures on behalf of the aged which totaled about \$7.5 billion, of which only about 16% were expenditures from Federal programs. In addition to Medicare, the other major programs which provide or pay for health care for the aged are payments to vendors under the Federal-State medical assistance program, and the VA programs for eligible veterans. In 1968 almost 60% of the total Federal payments for health care will be spent on behalf of the aged.

Children and youth.—The rise in Federal expenditures for health care for this group, from \$823 million in 1967 to \$1 billion in 1968, stems primarily from expansion of the recently enacted Medicaid program which provides Federal grants to support State programs paying for the cost of care provided to needy individuals and their families. These expenditures are estimated at \$221 million in 1968 compared to \$123 million in 1967 and \$21 million in 1966. The Neighborhood Health Centers and the Head Start program financed by OEO as well as special programs financed by the Children's Bureau also pay for health care services to children. The OEO programs rise \$16 million over 1967 to \$100 million; the Children's Bureau expenditures are estimated at \$133 million in 1968, an increase of \$29 million

over 1967. Payments by the Department of Defense for servicemen and dependents under 21 rise from \$417 million in 1967 to \$453 million in 1968.

Other adults.—The 1968 expenditures of \$2.5 billion tallied in table H-4 for this group reflects the predominant emphasis of Federal programs serving beneficiaries legally entitled to care in Federal installations or under Federal auspices. The programs pay for health care given to servicemen, veterans, Federal employees and their spouses, and represent over three-fourths of the total spent for nonaged adults. Federal grants to support the State medical assistance program for needy adults are less than 8% of the total. Other Federal programs that will spend more than \$10 million in 1968 for health care for adults are OEO's Neighborhood Health Centers, the Vocational Rehabilitation program, and the maternal health programs of the Children's Bureau. The proposed extension of Medicare to cover the disabled will increase future Federal health care expenditures for adults in the 22-64 age group.

Proposed legislation.—The President's 1968 budget proposes legislation to improve the health status of our Nation.

It recommends extending the Medicare program to cover some 1.5 million disabled individuals. These people, like the aged, now receive monthly cash benefits from the Social Security and Railroad Retirement systems to replace lost earnings. Coverage under Medicare will extend to these people similar protection to meet the cost of health care. This legislation will also assure that payments made to hospitals for depreciation under Medicare will be used to replace facilities and equipment in accordance with State and community plans. In addition, the legislation will enable the Medicare system to reimburse Federal hospitals for services provided to its beneficiaries just as the system now reimburses State and local hospitals for similar services. The 1968 budget includes an increase of \$200 million in payments from the Medicare trust funds to cover the costs of health care to the disabled and the reimbursement payments to Federal hospitals.

The budget also includes expenditures of \$33 million for proposed legislation designed to improve the availability and quality of health care to needy children, including dental care. Particular stress will be given to requiring periodic diagnostic screening and followup treatment in the Federal-State Medicaid program, and to develop methods which utilize more effectively professional manpower and medical assistants in bringing health care to children.

Legislation also will be proposed to expand and strengthen the new Partnership for Health program. The 1968 budget includes expenditures of \$20 million for this purpose. Finally, as part of a proposed revision of the Federal-State public assistance program, legislative changes will be proposed to modify the Medicaid program so that its beneficiaries relate more closely to the beneficiaries receiving support under the cash assistance program.

Table H-5. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS				
National defense:				
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	1,037.6	1,320.4	1,434.3
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	64.4	68.0	66.3
Professional and technical training of personnel.....	051	69.1	75.3	74.9
Construction of hospitals and medical facilities.....	051	41.3	79.1	55.3
Department of Health, Education, and Welfare: Stockpiling of medical supplies.....	059	15.1	9.0	10.0
Atomic Energy Commission: Research on the effects and use of radiation.....	058	93.9	98.6	102.8
Total, national defense.....		1,321.4	1,650.4	1,743.6
International affairs and finance:				
Peace Corps: Assistance to underdeveloped countries particularly for nursing and malaria eradication projects.....	152	11.0	11.0	11.2
United States Information Agency: Medical care of Foreign Service officers who became ill abroad.....	153	.3	.3	.3
Agency for International Development: Grants, loans, and other assistance to underdeveloped countries for their most pressing health problems and for family planning.....	152	120.0	198.7	223.9
Department of State:				
Contributions to international organizations, conferences, and medical and hospital care of Foreign Service personnel and their dependents.....	151	19.5	23.7	25.0
Assistance to refugees from Communist countries, except Cuba.....	152	.5	.7	.8
Mutual educational and cultural exchange activities.....	153	1.0	.9	1.0
Military assistance program: Medical personnel and construction.....	506	15.0	20.0	-----
Total, international affairs and finance.....		167.3	255.3	262.2
Space, research and technology:				
National Aeronautics and Space Administration: Research on health factors and human capabilities in advanced aerospace systems.....	251	73.0	81.8	85.7
Agriculture and agricultural resources:				
Department of Agriculture:				
Plant and animal research; meat and poultry inspections, consumer protection.....	355	126.7	141.1	154.0
Natural resources:				
Department of the Interior: Grants to territories and American Samoa; expanded research and training.....		8.9	6.6	7.8
Commerce and transportation:				
Small Business Administration: Loans for construction and operation of nursing homes and other health-related facilities.....	506	8.3	8.9	13.7

Table H-5. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued				
Housing and Urban Affairs:				
Department of Housing and Urban Development: Advances and loans to local communities for construction of health-related facilities, and grants for urban services and community facilities	553	27.5	28.6	103.0
Health, labor, and welfare:				
Department of Health, Education, and Welfare:				
Freedmen's Hospital: Operation of a community teaching hospital serving Howard University Medical School	651	4.4	6.2	7.0
Saint Elizabeths Hospital: Hospital care for the mentally ill in the District of Columbia	651	11.2	11.8	12.0
Public Health Service:				
Health services for Indians	651	65.6	72.0	73.5
Construction of Indian health facilities	651	9.1	14.2	17.2
Medical care of merchant seamen and other Public Health Service beneficiaries	651	57.3	60.9	58.5
Support of comprehensive health planning and services	651		4.5	88.0
Communicable and chronic disease programs	651	122.4	158.2	107.2
Grants and loans for construction of hospital and health facilities	651	202.3	228.4	275.0
Support of medical, dental, and nursing education and training	651	50.3	130.0	190.0
Health services and supporting activities	651	37.6	85.8	123.7
Scientific activities overseas	651	4.7	6.5	12.0
Construction of health facilities	651	17.2	31.4	32.0
Environmental health programs	651	57.1	74.3	97.5
Mental health research, training and service	651	164.3	195.6	218.9
National Institutes of Health:				
Research	651	625.8	755.8	783.6
Training	651	112.6	166.6	168.8
Regional medical programs	651	.3	7.5	36.8
Welfare Administration:				
Grants for maternal and child welfare	651	91.8	153.9	184.1
Assistance to refugees and repatriated U.S. nationals	653	2.1	4.2	5.8
Public assistance grants for hospital and health care	651	769.5	1,038.2	1,217.8
Research and training	651	.3	.4	.4
Vocational Rehabilitation Administration: Rehabilitation grants and research and training in problems of handicapped individuals	659	43.4	71.8	103.4
Social Security Administration: General fund payments to trust funds	654		971.8	917.6
Food and Drug Administration: Enforcement of the pure food and drug laws	651	45.2	57.0	62.0
Department of Labor: Bureau of Labor Standards	652	1.9	1.9	2.7
Department of Commerce:				
Economic Development Administration	507	.2	3.4	24.8
National Bureau of Standards	506	.3	.4	.4
Office of Economic Opportunity	655	48.2	120.2	140.5
Proposed legislation: To improve child health, to expand the Partnership for Health program, and to cover the disabled under Medicare	651			42.0
Total, health, labor, and welfare		2,545.1	4,431.8	5,022.2

Table H-5. FEDERAL EXPENDITURES FOR MEDICAL AND HEALTH-RELATED PROGRAMS (in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
ADMINISTRATIVE BUDGET FUNDS—Continued				
Education:				
Department of Labor: Training of health personnel.....	652	18.2	35.4	56.6
Department of Health, Education, and Welfare:				
Practical nurse training.....	704	7.5	18.3	18.5
Other educational activities.....	701	14.4	24.5	25.7
National Science Foundation: Support of basic research in health-related fields.....	703	24.2	25.0	25.0
Total, education.....		64.3	103.2	125.8
Veterans benefits and services:				
Veterans Administration: Hospital, domiciliary, and outpatient care of veterans including medical research and construction and modernization of facilities.....	804	1,306.7	1,381.7	1,471.5
General government:				
Department of Labor: Hospital and medical care for Federal employees injured in line of duty.....	906	10.3	11.7	12.1
Department of Transportation: Federal Aviation Administration: Research and services.....	501	5.4	6.1	6.3
Department of Justice: Medical care of prisoners.....	908	7.5	7.8	12.1
Civil Service Commission: Government contribution to Federal employees' health benefit funds for retired employees and annuitants.....	906	29.2	36.6	40.7
General Services Administration: Matching grant for a hospital in southeast Washington, D.C.....	905	.7		
Panama Canal: Medical and hospital care for civilian and military personnel, sanitation and quarantine.....	910	11.9	14.2	14.9
Transitional grants to Alaska.....	910	.3		
Total, general government.....		65.3	76.4	86.1
Contributions by Federal agencies to employees' health benefits fund not included above.....		139.8	185.1	189.1
Interfund transactions.....			-1,021.8	-991.6
Total net administrative budget expenditures for health.....		5,864.3	7,329.4	8,273.1
TRUST FUNDS				
Civil Service Commission (revolving funds):				
Expenditures for employee health benefits.....	654	549.5	609.3	693.4
Receipts from employee and Government contributions.....		-548.0	-612.3	-707.7
Net expenditures from trust revolving funds.....		1.5	-3.0	-14.3
Department of Health, Education, and Welfare: Social Security Administration: Expenditures for hospital and supplementary medical insurance.....	654	64.5	3,525.8	3,971.6
Proposed legislation: To provide Medicare benefits to the disabled and to reimburse Federal hospitals for Medicare services.....	654			200.0
United States Soldiers' Home: Hospital and domiciliary care of retired and disabled enlisted personnel of the Regular Army and Air Force.....	805	7.2	8.4	10.1
Total net trust fund expenditures for health.....		73.2	3,531.2	4,167.4
Total budget and trust fund expenditures for health.....		5,927.5	10,860.6	12,440.5

SPECIAL ANALYSIS I

FEDERAL RESEARCH, DEVELOPMENT, AND RELATED PROGRAMS

The continued advancement of science and technology for both national security and domestic progress is an important responsibility of the Federal Government. Federal obligations for research and development are estimated at \$17.3 billion in 1968, as compared with the 1967 estimate of \$17.5 billion. Expenditures are estimated to increase from \$16.5 billion in 1967 to \$17.1 billion in 1968. However, within these relatively level totals, there will be important shifts in the mix of research and development activities conducted by Federal agencies.

New investment in *development* will decline in 1968, while funds for basic and applied *research* will increase significantly. Increases are proposed for selected major fields including marine sciences and technology, medical research, urban development, atmospheric sciences and meteorology (including weather modification and support of the World Weather Watch), and the improvement of systems for providing scientific and technical information. Funds are also provided to initiate design of a 200 billion electron volt accelerator.

Expenditures for research and development comprise a substantial part of the Federal budget. In 1968, 13 percent of administrative budget expenditures will be for research and development. About two-thirds of the Nation's research and development effort is financed from Federal funds, and about 75 percent of the research conducted in universities comes from Federal funds.

Research and development in the Federal Government are supported chiefly to advance major governmental functions which require a high level of technical support, such as national defense, space exploration, the utilization of atomic energy and the improvement of public health. To a growing extent, research also is being pursued in the context of social problems such as education, transportation, and urban life.

With some 11 major Federal agencies engaged in the conduct or support of research and development, various processes are used to foster coordination and minimize duplication. The Office of Science and Technology, in the Executive Office of the President, is the chief instrument of the President in providing oversight and evaluation of research and development. The President's Science Advisory Committee, composed of leading scientists and engineers from academic and business life, is available to furnish advice on the Nation's scientific and technological needs and progress. The Federal Council for Science and Technology, chaired by the President's Science Adviser, assists in providing interagency coordination of Federal programs. A number of coordinating committees of the Council exist to provide a synthesis of purposes and efforts in selected cross-cutting fields such as materials research and atmospheric sciences. Special bodies, such as the National Council on Marine Resources and Engineering Development, headed by the Vice President, are charged with the establishment and coordination of goals and priorities in assigned

areas. Coordination also is provided by the Bureau of the Budget through its review of agency financial requirements and program plans.

This special analysis presents separate summaries of Federal funds estimated for development, for research, and for the construction of research and development facilities.¹ In addition, it provides information about selected areas of science which are of broad national interest and which engage a number of 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 from \$10.9 billion in 1967 to \$10.2 billion in 1968; a small reduction in *expenditures* is also projected, from \$10.4 billion in 1967 to \$10.3 billion in 1968. These trends mainly reflect changes in development activities of the Department of Defense and the National Aeronautics and Space Administration, which together account for more than 80% of Federal funds for development.

Department of Defense obligations for development are estimated to be about \$0.5 billion lower in 1968 than in 1967, reflecting decreases after accelerated development in 1967 of many smaller limited war systems for application in Southeast Asia and systems nearing completion of development. Development obligations and expenditures of the National Aeronautics and Space Administration will decline from 1967 to 1968 because of reduced requirements for the manned lunar landing program. An increase is projected in the programs of the Atomic Energy Commission, chiefly for continuing development of reactors and nuclear weapons.

Among other agencies, there will be increases in the Department of Health, Education, and Welfare, mainly for Public Health Service programs for improved health care, prevention and diagnosis; in the Department of Commerce, for improved weather prediction and telecommunications; and in the Post Office for advanced mail-handling systems. These increases will be more than offset by a major decline in obligations for development activities of the Department of Transportation, because the design competition for the civil supersonic transport has been completed with funds provided in 1967 and prior years and a decision on further funding for this project awaits the outcome of studies now in progress. The decrease in total obligations is also partly reflected in the drop in expenditures.

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

¹ 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.

Obligations for Development

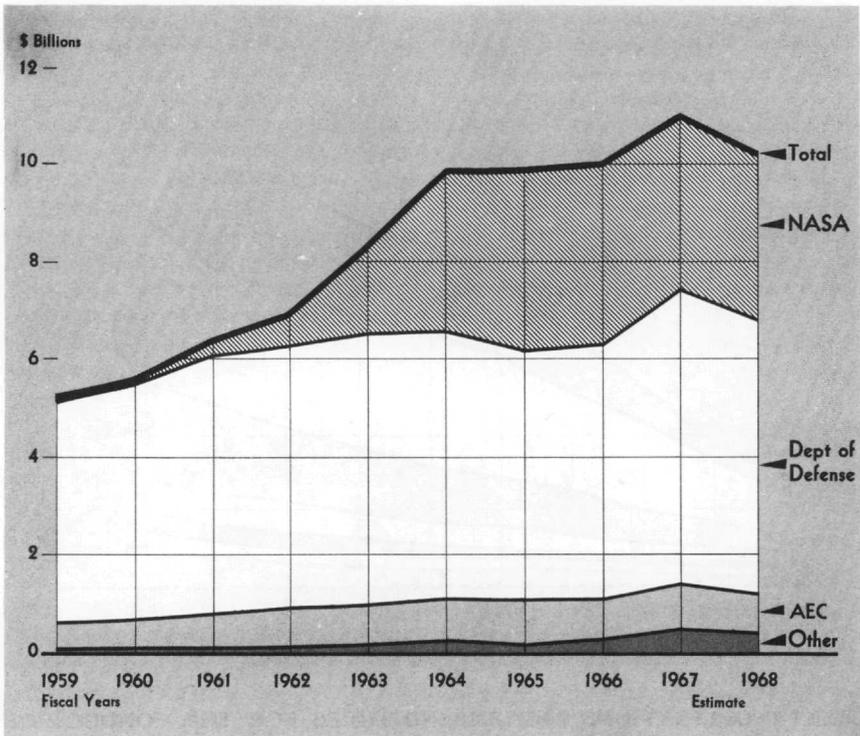


Table I-1. OBLIGATIONS AND EXPENDITURES FOR THE CONDUCT OF DEVELOPMENT¹ (in millions of dollars)

Agency	Obligations			Expenditures		
	1966	1967	1968	1966	1967	1968
Department of Defense—Military	5,171.2	6,026.3	5,554.6	4,863.6	5,329.1	5,485.2
National Aeronautics and Space Administration	3,762.1	3,578.3	3,505.9	4,034.5	3,910.0	3,600.0
Atomic Energy Commission	838.8	875.0	946.7	838.8	875.0	946.7
Other	301.2	454.6	187.9	222.4	310.8	265.3
Total	10,073.2	10,934.2	10,195.1	9,959.3	10,424.9	10,297.2

¹ 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.—Federal research activities are estimated to increase significantly, with *obligations* rising from \$5.7 billion in 1967 to \$6.4 billion in 1968, and *expenditures* from \$5.3 to \$6 billion.

Research related to defense, space, and health objectives continues to comprise the major part of Federal research activities. Increased support is planned for applied research projects in the Department of Defense; for manned space flight and unmanned investigations of Mars by the National Aeronautics and Space Administration; for

Obligations for Research

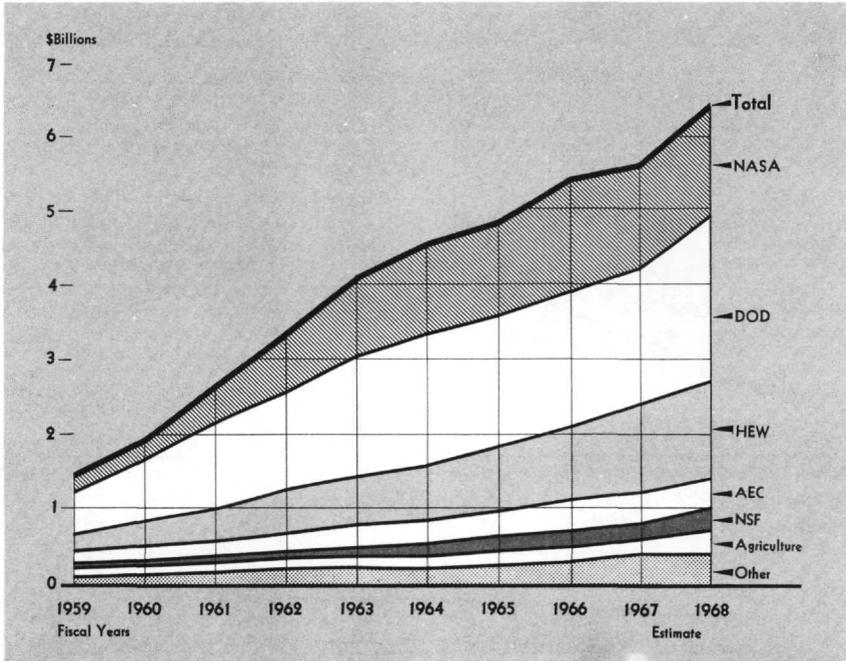


Table I-2. OBLIGATIONS AND EXPENDITURES FOR THE CONDUCT OF RESEARCH¹ (in millions of dollars)

Agency	Obligations			Expenditures		
	1966	1967	1968	1966	1967	1968
Department of Defense—Military	1,847.2	1,815.9	2,193.2	1,811.3	1,775.0	2,111.0
National Aeronautics and Space Administration	1,311.0	1,416.7	1,546.9	1,315.9	1,400.0	1,526.0
Atomic Energy Commission	373.9	399.7	422.8	373.9	399.7	422.8
Department of Health, Education, and Welfare	1,040.5	1,187.7	1,305.7	811.7	991.9	1,061.4
National Science Foundation	249.7	245.4	274.7	176.3	196.5	226.4
Department of Agriculture	232.1	246.5	272.2	236.1	253.6	264.1
Department of the Interior	119.5	136.5	164.6	109.1	118.6	144.1
Department of Transportation	44.9	62.3	67.7	38.3	56.5	66.8
Department of Commerce	40.4	42.2	52.2	38.5	36.1	46.2
Veterans Administration	40.1	42.9	44.7	37.6	42.2	43.9
Other	71.7	71.5	100.7	63.4	67.6	82.5
Total	5,371.0	5,667.3	6,445.5	5,012.1	5,337.7	5,995.0

¹ Includes funds for basic and applied research.

medical research programs of the National Institutes of Health in the Department of Health, Education, and Welfare; for nuclear research programs of the Atomic Energy Commission; and for basic research programs of the National Science Foundation.

Smaller but significant research increases are also estimated in other areas of national concern including education, conservation of natural resources and prevention or reduction of environmental pollution, transportation and highway safety, weather modification and improved weather prediction, and housing and urban problems.

Basic research.—The 1968 budget provides for continuing growth in the support of basic research—the systematic search for fundamental knowledge which provides the basis for advances in applied science and technology. Included in the totals for research are basic research *obligations* estimated to increase from \$2.1 billion in 1967 to \$2.4 billion in 1968, with *expenditures* rising from \$2 to \$2.3 billion. About three-fifths of the overall increase is related to the basic research flight programs of the National Aeronautics and Space Administration.

Increased basic research support is also estimated for the National Science Foundation; the Department of Health, Education, and Welfare—chiefly for the National Institutes of Health; the Atomic Energy Commission; and the Department of Agriculture. This increased support will be largely for grants and contracts in colleges and universities to support a wide variety of research in the sciences.

Academic research.—The Federal Government provides about three-quarters of all research funds used by institutions of higher education. Thus these institutions are directly affected by the volume and distribution of Federal research grants and contracts. In 1968, Federal agencies will obligate a total of about \$1.7 billion for research and development conducted in academic institutions proper, a net increase of approximately \$100 million above 1967. More than half of this amount will be for basic research; the remainder will be mainly for applied research, particularly medical research supported by the National Institutes of Health.

The Federal agencies support research in academic institutions with the primary aim of obtaining scientific results relevant to their missions. In September 1965, the President directed that the agencies also administer research funds with a view to strengthening academic institutions and increasing the number capable of performing research of high quality.

Table I-3. OBLIGATIONS AND EXPENDITURES FOR THE CONDUCT OF BASIC RESEARCH¹ (in millions of dollars)

Agency	Obligations			Expenditures		
	1966	1967	1968	1966	1967	1968
Department of Defense—Military.....	262.1	285.8	287.2	251.5	265.0	270.0
National Aeronautics and Space Administration.....	598.0	689.1	858.7	568.1	685.0	875.0
Atomic Energy Commission.....	280.9	303.2	321.4	280.9	303.2	321.4
Department of Health, Education, and Welfare.....	354.2	411.7	446.8	286.0	352.7	374.8
National Science Foundation.....	249.7	245.4	274.7	176.3	196.5	226.4
Department of Agriculture.....	89.9	98.4	109.4	91.8	102.2	105.9
Other.....	94.0	105.2	123.7	86.9	95.4	112.9
Total.....	1,928.8	2,138.8	2,421.9	1,741.5	2,000.0	2,286.4

¹ Amounts are included in conduct of research, table I-2.

Federal agencies have responded with measures to improve the administration of project support, through more extensive institutional support, and through special developmental funds. To strengthen existing institutions, three programs, totaling \$97 million in 1968, are significant—the NIH general research support grant, primarily to medical institutions (\$62 million), the NASA sustaining university program (\$20 million), and the NSF institutional grants for science (\$15 million). Three other programs, totaling \$89 million in 1968, are also noteworthy. NSF and PHS support specialized programs directed toward increasing the capabilities of academic institutions for research or education in the sciences. Finally, in 1967, the Department of Defense initiated a program to assist the development of new academic centers of excellence in areas of science and technology in which the Department of Defense and the university have a strong mutual interest.

Research and development facilities.—Total obligations for research and development facilities are estimated to decrease from \$869 million in 1967 to \$694 million in 1968. Expenditures will increase slightly, from \$759 million in 1967 to \$764 million in 1968. The decrease in obligations of the Atomic Energy Commission in 1968 reflects the fact that obligations for construction for certain large facilities, principally for physical research, are expected to occur in 1967. Obligations and expenditures of the National Aeronautics and Space Administration will be lower, primarily reflecting completion of test and launch facilities required for the manned lunar landing program. The additional amounts shown for the Department of the Interior are primarily for facilities for water pollution control research.

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

Agency	Obligations			Expenditures		
	1966	1967	1968	1966	1967	1968
Department of Defense—Military	75.4	100.8	96.2	54.5	56.5	76.5
National Aeronautics and Space Administration	277.4	148.0	95.0	582.6	290.0	174.0
Atomic Energy Commission	239.0	358.0	256.3	249.5	211.2	229.9
Department of Health, Education, and Welfare	122.4	125.1	83.3	51.9	85.2	99.9
National Science Foundation	86.0	86.2	89.8	58.2	57.0	77.3
Agriculture	25.6	19.2	9.6	5.7	19.2	38.3
Interior	13.3	25.7	44.2	12.7	19.3	38.1
Other	9.1	5.7	19.4	29.8	20.4	29.6
Total	848.2	868.7	693.9	1,044.8	758.8	763.7

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 systems 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. Amounts requested in the special foreign currency program for research and related construction are included in this year's analysis for the first time.

The total research and development effort in 1967 and 1968 is estimated to increase over 1966. Of the totals shown in table I-5 for 1968, 4% is for basic scientific research. Approximately 25% is for applied research, which includes experiments with extensive equipment requirements, designed to solve defense problems. The remaining 71% is for development, test, and evaluation of new military weapons systems and supporting equipment and for support of laboratory and test facilities for defense research and development.

The total amount of basic research in 1968 will remain roughly level with 1967, as shown in table I-3. Applied research will increase substantially in 1968. In 1967 and 1968 the major share of development efforts will continue to be for conventional and limited war systems. Work on strategic weapons will also increase in this period.

The composition of the programs of the Department by major fields of concentration is shown in table I-5. Aircraft under development include several versions of the F-111 aircraft for use by both the Navy and Air Force, the C-5A cargo transport, several Army helicopters and major components to provide combat support and mobility for the ground forces, and Navy early warning and tactical air control aircraft. Missile developments include continuing efforts applied to the Navy's Polaris and Poseidon submarine-launched strategic missiles, the Air Force's Minuteman III ballistic missile and the Army's Nike-X antiballistic missile system, as well as a number of smaller missiles for tactical support of ground forces, interdiction of hostile supply systems, and anti-air warfare.

Major programs supported in the military astronautics activity are the manned orbiting laboratory (MOL), military communications satellites, nuclear detection satellites, and the Titan III family of space boosters, with complementary efforts in reentry, recovery, power source, and basic engine technology. Totals for the military space program are given in table I-12.

Examples of other fields of concentration receiving substantial attention include antisubmarine warfare, communications, surface mobility, conventional ordnance, and surveillance systems. Provi-

sion is also made for support of Government-owned laboratories such as the Eastern and Western Test Ranges, the Naval Research Laboratory, and the Army Limited War Laboratory.

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

Purpose and budget title	1966 actual	1967 estimate	1968 estimate
Obligations for the conduct of research and development:			
Research, development, test, and evaluation:			
Military sciences.....	602.0	614.9	611.0
Aircraft and related equipment.....	1,096.7	1,291.2	1,098.0
Missile and related equipment.....	1,964.8	2,432.4	2,446.0
Military astronautics and related equipment.....	975.5	1,022.0	1,061.1
Ships, small craft, and related equipment.....	293.1	287.0	290.9
Ordnance, combat vehicles, and related equipment.....	400.7	388.0	311.0
Other equipment.....	838.9	966.7	977.3
Programwide management and support.....	402.9	395.8	411.7
Emergency fund.....		18.2	125.0
Total, direct obligations, research, development, test, and evaluation.....	6,574.6	7,416.2	7,332.0
Military personnel.....	288.3	292.3	277.5
Procurement.....	107.9	81.9	64.8
Operations and maintenance.....	37.6	41.0	55.9
Civil defense.....	10.0	10.0	10.0
Special foreign currency program.....		.7	7.6
Total, direct obligations, for the conduct of research and development.....	7,018.4	7,842.1	7,747.8
Obligations for research and development facilities:			
Military construction.....	75.4	100.8	95.0
Special foreign currency program.....			1.2
Total, direct obligations for research and development.....	7,093.8	7,942.9	7,844.0
Total expenditures for research and development.....	6,729.4	7,160.6	7,672.7

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

All the activities of the National Aeronautics and Space Administration are considered to be research and development. This agency develops, tests, and operates space vehicles for manned and unmanned exploration of space and other nonmilitary purposes, and conducts broad programs of research and development in support of these objectives. 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 1968 are estimated at \$5.3 billion, a decrease of \$300 million from the estimate for 1967 because of declining requirements in the manned lunar landing program. New obligational authority will increase from \$4,968 million in 1967 to \$5,050 million in 1968. This increase—principally for the new Apollo applications program of extended manned flight—is offset in part by a decline in the Apollo lunar landing program.

Expenditures for research programs will increase from 1967 to 1968 while expenditures for development will decline. This reflects the shift in emphasis within the space program from the development of a basic space flight capability toward use of that capability for research purposes. Expenditures for facilities reached a peak in 1965 and continue to decline as work on major projects for the manned lunar landing 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 development and preparation of the scientific experiments carried on manned flight missions is also classified as basic research.

The "other research" category includes those activities intended to improve the technology required for the development of new space vehicles and aircraft. It also includes the Surveyor and Orbiter projects which, while generating a wealth of data useful for basic research, are directed primarily toward providing data needed for the design

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

Program and type of activity	1966 actual	1967 estimate	1968 estimate
Conduct of research:			
Basic scientific research in space:			
Spacecraft, instrumentation, conduct of experiments, and supporting costs.....	414.6	505.0	695.0
Procurement of launch vehicles for basic research purposes.....	49.1	70.0	80.0
Other basic research in space science and technology.....	104.4	110.0	100.0
Subtotal, basic research.....	568.1	685.0	875.0
Other research.....	661.8	675.0	601.0
Procurement of launch vehicles for other research purposes.....	86.0	40.0	50.0
Total, conduct of research.....	1,315.9	1,400.0	1,526.0
Conduct of development:			
Manned space flight and supporting development.....	3,849.4	3,740.0	3,460.0
Development of launch vehicles for research purposes.....	85.8	60.0	30.0
Other development.....	99.3	110.0	110.0
Total, conduct of development.....	4,034.5	3,910.0	3,600.0
Research and development facilities:			
Facility grants to colleges and universities.....	10.1	10.0	14.0
Manned space flight and supporting facilities.....	484.5	200.0	110.0
Other research and development facilities.....	88.0	80.0	50.0
Total, research and development facilities.....	582.6	290.0	174.0
Total, National Aeronautics and Space Administration.....	5,933.0	5,600.0	5,300.0

and operation of manned lunar landing systems. This category also includes satellites and study projects whose mission is to determine the extent and proper method of utilizing our space capabilities to provide basic services, primarily in the fields of meteorology and communications.

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 all purposes including research is also in this category.

ATOMIC ENERGY COMMISSION

Expenditures of the Atomic Energy Commission for the conduct of research and development are estimated to increase from \$1.3 billion in 1967 to \$1.4 billion in 1968, principally for the development of improved nuclear reactors, for weapons research and development, and for increased research in the physical and biomedical sciences.

The Atomic Energy Commission's basic and applied research programs will increase from an estimated \$400 million in 1967 to about \$423 million in 1968. About three-fourths of these amounts are for basic research in the physical and biomedical sciences. The remainder is for applied research, largely related to nuclear weapons and controlled thermonuclear reactions.

A 7% increase is planned in 1968 in the physical sciences research program, which 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. The 1968 estimate for physical sciences research includes a 16% increase in research on thermonuclear plasmas, the major purpose of which is to determine whether the energy released in thermonuclear reactions can be controlled for production of electric power.

The development funds of the Commission are primarily for programs to design and test improved nuclear weapons, to develop improved nuclear reactors, and to develop the peaceful uses of radioisotopes and nuclear explosives. The reactor development program includes efforts to develop improved types of central station nuclear power reactors, nuclear rocket technology (Project Rover), nuclear electric power sources for space and other remote applications and reactors for naval propulsion, and to broaden the base of reactor technology. Continued emphasis will be placed in 1968 on the development of breeder reactors, which would produce more fissionable fuel than they consume.

Expenditures for research and development facilities will increase by about \$19 million, mainly for facilities for reactor development and for physical research. Of special importance in 1968 are the Atomic Energy Commission's plans to initiate definitive design of the 200-Bev proton accelerator facility near Chicago, Ill., and the Omnitron accelerator at Berkeley, Calif. The 200-Bev accelerator, which would have a total design and construction cost of about \$240 million excluding supporting equipment, would provide the world's highest energy proton beam for research in elementary particle physics. The Omnitron is intended to accelerate ions of all the chemical elements, for use both in nuclear chemistry and in biomedical research.

The 1968 budget includes funds to construct a large Fast Flux Test Facility, a reactor facility capable of producing a large quantity of high energy neutrons in a controlled environment for testing fuel and other reactor materials and components for the fast breeder reactor program. The total estimated capital cost of this facility is \$87.5 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		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Production technology for fissionable materials.....	23.6	22.4	22.4	2.7	2.6	3.4
Development of weapons.....	421.5	419.2	463.7	63.9	58.9	57.6
Reactor development.....	428.6	467.7	492.3	79.2	71.5	83.1
Physical research.....	234.5	255.3	272.0	93.7	67.1	75.1
Biology and medicine.....	82.4	86.0	90.5	8.2	8.9	8.7
Other research and development.....	22.1	24.1	28.6	1.9	2.1	2.1
Total.....	1,212.6	1,274.7	1,369.5	249.5	211.2	229.9

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Expenditures by the Department of Health, Education, and Welfare for research and development will increase by \$88 million to a level of \$1,184 million in 1968. This increase occurs primarily in health and health-related research—particularly in programs of the Public Health Service.

Expenditures for Public Health Service programs—mostly through the National Institutes of Health—will emphasize research into the nature of life, the functioning of biological systems, the basic character of disease, degenerative processes, and the conditions of health which provide the basis for the further advance of medical science and practice. The primary mechanism of support will continue to be the project grant, which is reviewed by non-Federal scientific peers for its scientific merit and program relevance. However, increasing emphasis will be given to general research support and to organized research efforts to develop such diagnostic and therapeutic items as artificial organs, vaccines, diagnostic instruments, organ transplantation techniques, and drugs. A small but growing amount of research will be devoted to improving the delivery of health services.

Expenditures for Office of Education research and development programs will increase particularly for support of educational laboratories at which institutions of higher education, States, private enterprise, and schools work on improved curricula and methods of instruction for use in the Nation's classrooms. Increases will also be provided for (1) research centers which focus on current education problems such as education of the disadvantaged, individualized instruction, early childhood learning, and teacher education; (2) research and field tests to improve education for the physically

and mentally handicapped, especially for higher education opportunities for the deaf and development of computerized education systems and (3) better vocational training to meet changing job skill requirements.

Outlays for research and development facilities are rising rapidly as payments are made against earlier awards under the 1963 Higher Education Facilities Act. Expenditures for research facilities at colleges and universities under this program will total \$23 million in 1968, a doubling of the 1967 level. In addition, expenditures of \$6 million are estimated in 1968 for educational laboratory and handicapped research facilities.

NATIONAL SCIENCE FOUNDATION

The National Science Foundation supports basic research in all fields of science, primarily through grants to colleges and universities. Total expenditures of the Foundation for research and research facilities are estimated at \$304 million in 1968 compared with \$254 million in 1967 and \$235 million in 1966.

In 1968 approximately 3,870 research project grants—an increase of nearly 8 percent over 1967—will be awarded to an estimated 440 academic institutions. Through these grants and the national research programs and centers supported by the Foundation, particular stress will be placed on increased basic research in oceanography, atmospheric sciences, chemistry, and the social sciences—fields of growing national interest. More basic research in these fields will help form a sound basis for growth in Federal and non-Federal programs of applied research and development in such areas of prime concern as pollution abatement, weather modification, and urban redevelopment.

Smaller increases are projected in specialized research facilities; in the United States Antarctic program, in the weather modification, and the ocean sediment coring programs; and in the national research centers for astronomy and the atmospheric sciences. Funds for the Cerro Tololo Inter-American Observatory will provide for a portion of the costs of the mounting for a 150-inch telescope to be installed at the Cerro Tololo site in Chile. Also included are increased funds for oceanographic programs authorized by the National Sea Grant College and Program Act of 1966.

DEPARTMENT OF AGRICULTURE

Expenditures of the Department of Agriculture for research and development are estimated to be \$311 million in 1968 compared with \$281 million in 1967. The increase provides for staffing and equipping improved, and newly completed, farm and utilization research laboratories and watershed research centers. In addition, research will be accelerated on problems relating to the effects of environmental pollution, improving food sources of protein, attacking costly animal diseases, and means to increase the effective supply of timber in the United States. The economic research program of the Department will be increased to improve research on supply, demand, and trade in farm products, study of economic and social forces in the rural community, and conduct of trade and commodity analyses.

There will be an increase in grants to State experiment stations under the Hatch Act, and in grants for cooperative forestry research.

Expenditures for research facilities will increase substantially in 1968, due mainly to planned construction which was authorized in prior years.

DEPARTMENT OF THE INTERIOR

Expenditures of the Department of the Interior for research and development will increase from \$164 million in 1967 to \$206 million in 1968. Programs 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 contributes to the improvement of resources management in such operating bureaus of the Department as the Bureau of Reclamation and the Bonneville Power Administration.

Accelerated research is projected for 1968 in the area of industrial waste treatment, where practical engineering answers are being sought through pilot plants being tested under field conditions. Research is also being expanded to develop information on the effects of pollution on various uses of water and on the propagation of wildlife. In the area of tunneling technology, a new program will be initiated in 1968 to develop tunneling techniques for transportation, urban utilities, mineral extraction, and the distribution of water, power, and gas.

DEPARTMENT OF COMMERCE

Expenditures of the Department of Commerce for research and development will total \$79 million in 1968, an increase of \$16 million over 1967. This does not include expenditures for research activities being transferred to the Department of Transportation.

The Environmental Science Services Administration will increase its research in weather modification, detection, and prediction of severe storms, air-sea interaction, and telecommunications. Increased research on satellite sensors and systems will support the World Weather program. The National Bureau of Standards plans to accelerate efforts to develop standard reference data, reference materials, and technological standards. It will also increase research and development in the area of data processing. The Maritime Administration will continue research aimed at reduction of ship-building and operating costs.

DEPARTMENT OF TRANSPORTATION

Expenditures of the Department of Transportation for research and development are estimated to be \$273 million in 1967 and \$219 million in 1968. The Department's research and development programs are focused on four major areas of Federal interest:

The Federal Aviation Administration undertakes research and development on aircraft safety, aviation medicine, air traffic control and navigation, and civil supersonic aircraft. Expenditures for these activities will decline to \$132 million in 1968 from \$214 million in 1967, reflecting completion of the design competition for the

supersonic transport aircraft. The decision is pending on construction of a prototype and 1968 funding. Obligations in 1968 will total \$38 million compared to \$319 in 1967.

The Coast Guard conducts research in oceanography and on aids to navigation, and on aids to search and rescue. Expenditures of \$21 million in 1968 compared to \$11 million in 1967 reflect the planned construction of a new oceanographic ship in 1968 and an increased oceanographic survey program.

The Federal Highway Administration supports research and development on traffic and highway safety, motor vehicle safety standards, State and community safety programs, safety techniques, traffic operations, and highway materials and maintenance. The expenditures for these activities will increase from \$38 million in 1967 to \$52 million in 1968, largely reflecting full-year costs of the highway and traffic safety programs initiated in 1967. Obligations will be \$40 million in 1967 and \$59 million in 1968.

The Department also undertakes research, development, and demonstration programs on high-speed ground transportation and conducts research on general transportation problems. Expenditures will increase from \$11 million in 1967 to \$22 million in 1968 as the demonstration program in the Northeast Corridor goes into operation.

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 planetary atmospheres of the solar system. The atmospheric sciences encompass: *meteorology*—the physics and chemistry of the earth's atmosphere, including studies of such phenomena as general circulation, precipitation processes, turbulence, diffusion, and atmosphere-surface interactions; *aeronomy*—the physics and chemistry of the earth's upper atmosphere, including studies of such phenomena as airglow, aurora, magnetic fields and radiation belts; and *planetary atmospheres*—studies of extraterrestrial atmospheres.

A major part of the funding for atmospheric sciences research continues to be for the large space flight programs of NASA, principally the Nimbus program (with scheduled launching in late 1969) and the Mariner unmanned planetary spacecraft. Exclusive of space flight programs, funding for atmospheric sciences is planned to increase about 11% in 1968 after a period of level funding in 1966 and 1967.

Major increases are estimated for weather modification research. The Environmental Science Services Administration (ESSA) will

substantially increase its research in weather control and modification (including studies of inadvertent modification of the atmosphere) supported by expanded development of general circulation models and studies of cloud physics. The Department of the Interior will continue to expand its research efforts in precipitation augmentation and redistribution. The National Science Foundation will increase its weather modification research support only slightly, but will make significant increases, closely coordinated with the efforts of ESSA, in supporting research in general circulation, cloud physics, and atmospheric turbulence.

The distribution of Federal support in the areas of meteorology, the upper atmosphere (aeronomy), and the planetary atmospheres is as follows:

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

Functional area	1966	1967	1968
Meteorology:			
Departments of:			
Agriculture.....	1.2	1.3	1.3
Commerce.....	11.2	11.7	16.6
Defense.....	28.0	26.5	27.2
Health, Education, and Welfare.....	2.7	3.3	3.3
Interior.....	3.4	4.4	5.8
Atomic Energy Commission.....	5.2	5.1	5.1
National Aeronautics and Space Administration.....	48.5	45.5	62.0
National Science Foundation.....	11.3	13.0	16.4
Other agencies.....	1.6	2.1	1.8
Total meteorology.....	113.3	112.9	139.4
Aeronomy:			
Departments of:			
Commerce.....	3.1	3.1	3.7
Defense.....	50.5	48.1	44.1
Atomic Energy Commission.....	1.6	1.4	1.1
National Aeronautics and Space Administration.....	8.1	5.8	6.2
National Science Foundation.....	11.1	9.6	9.9
Total aeronomy.....	74.2	68.0	65.0
Planetary atmospheres:			
Departments of:			
Commerce.....	.1	.1	..
Defense.....	.1	.1	.1
National Aeronautics and Space Administration.....	18.2	37.3	71.3
National Science Foundation.....	2.6	2.5	2.5
Total planetary atmospheres.....	21.0	40.0	73.9
Total atmospheric sciences.....	208.5	220.9	278.2

MEDICAL RESEARCH

Federal expenditures for medical and health-related research activities are estimated to be \$1,451 million in 1968. This is an expansion of about 5% over the 1967 level of \$1,385 million.

Of the increase of \$66 million in overall medical research expenditures in 1968, \$49 million, or 74%, 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 1968, NIH and the National Institute of Mental Health will support approximately 35% of the total national medical research effort of more than \$2.5 billion in public and private funds.

Table I-9. EXPENDITURES OF FEDERAL AGENCIES FOR MEDICAL AND HEALTH-RELATED RESEARCH (in millions of dollars)

Agency	1966 actual	1967 estimate	1968 estimate
Department of Health, Education, and Welfare:			
Public Health Service.....	805.6	983.1	1,026.9
(National Institutes of Health).....	(625.8)	(755.8)	(783.6)
(National Institute of Mental Health).....	(94.3)	(113.6)	(111.8)
(Other Public Health Service).....	(85.5)	(113.7)	(131.5)
Other.....	18.2	27.1	31.9
Total, Department of Health, Education, and Welfare.....	823.8	1,010.1	1,058.8
Department of Defense.....	64.4	68.0	66.3
Atomic Energy Commission.....	93.3	97.8	102.1
Department of Agriculture.....	39.5	43.3	51.7
National Aeronautics and Space Administration.....	73.0	81.8	85.7
National Science Foundation.....	24.2	25.0	25.0
Veterans Administration.....	42.4	47.5	50.2
Other.....	6.7	11.5	11.0
Total, medical and health-related research.....	1,167.3	1,385.0	1,450.8
Total, conduct of research.....	(1,102.5)	(1,293.2)	(1,359.6)
Total, research facilities.....	(64.8)	(91.8)	(91.2)

Further discussion of medical and health related research may be found in Special Analysis H, *Federal Health Programs*.

MARINE SCIENCE AND TECHNOLOGY

The Marine Resources and Engineering Development Act of 1966 provides new direction for Federal marine science and technology. The National Council on Marine Resources and Engineering Development, created by this act, is charged with the responsibility to develop a comprehensive program of marine science activities. The 1968 budget for these programs takes into account the Council's views and recommendations for priorities.

Federal activities in marine sciences and technology include the coordinated effort of 11 agencies to utilize the oceans in the pursuit of such goals as preservation of national security, international cooperation, development and exploitation of new food, mineral and energy resources, protection of health and property, improved weather forecasting, and enhancement of commerce and transportation. To achieve these goals, programs are directed to research in biology and physical sciences, studies of the air/sea environment, exploration of the continental shelf and deep ocean, development of ocean engineering systems and techniques, and support of education in marine

sciences and technologies. Important new initiatives amounting to approximately \$40 million in 1968 will be taken in such areas as development of ocean food resources, deep ocean technology, and marine research and education.

Marine science and technology includes activities previously reported under oceanography, plus expanded coverage of areas such as development of fisheries, assessment of marine mineral and energy resources, and military technology. Table I-10 represents a functional breakdown of funds. Increases in 1968 are primarily for research and development with special emphasis on civilian needs. The increases for research reflect growth in marine research and education, including Sea Grant programs. Development of systems and techniques to utilize and exploit the resources, advantages, and opportunities of the marine environment also receives additional support in 1968, particularly with the expansion of Navy deep ocean technology programs. A new Coast Guard ship equipped for polar research is included in 1968. The increase in surveys reflects additional costs of operation as new survey ships, financed in prior years, are delivered and put in service.

The National Council on Marine Resources and Engineering Development provides continuing advice and assistance to the President on marine science policy planning, coordination and development of a comprehensive Federal marine program including international cooperation. The Council will provide for long-range studies of the potential benefits from exploitation and improved utilization of the oceans for the Nation's commerce, security, health, and welfare. A public advisory Commission on Marine Science, Engineering, and Resources is responsible for reviewing Federal, State, and private

**Table I-10. PROGRAM PLAN FOR MARINE SCIENCES AND TECHNOLOGY
BY FUNCTIONAL AREA¹ (in millions of dollars)**

	1966	1967	1968
Research and development:			
Research.....	122.3	121.5	138.1
Development.....	72.4	103.1	124.6
Subtotal.....	194.7	224.6	262.7
Investment:			
Ships.....	29.4	35.7	28.8
Shore facilities.....	4.8	9.5	6.2
Major equipment.....	9.1	16.3	30.7
Other.....	3.5	5.3	6.3
Subtotal.....	46.8	66.8	72.0
Operations:			
Surveys.....	68.9	89.2	100.6
Services.....	20.1	25.1	23.1
Other.....	2.9	3.4	3.9
Subtotal.....	91.9	117.7	127.6
Grand total.....	333.4	409.1	462.3

¹ The figures in this table and in table I-11 reflect expanded coverage of marine technology and are not comparable to amounts shown for "oceanography" in prior years.

needs for marine science, surveys, and natural resources. It is to recommend to the President and the Congress, through the Council, an adequate marine science program meeting national needs. The Interagency Committee on Oceanography of the Federal Council on Science and Technology, which now is a mechanism for coordination and exchange of information among agencies concerning oceanographic programs, projects, and operating problems, assists the National Council on Marine Resources and Engineering Development.

Table I-11. PROGRAM PLAN OF FEDERAL AGENCIES FOR MARINE SCIENCES AND TECHNOLOGY (in millions of dollars)

Agency	1966 actual	1967 estimate	1968 estimate
Departments of:			
Commerce.....	25.0	32.5	36.0
Defense.....	174.9	235.8	258.7
Health, Education, and Welfare.....	5.4	7.0	4.8
Interior.....	56.5	71.2	72.3
State.....	5.0	5.1	5.4
Transportation.....	8.1	10.8	24.6
Agency for International Development.....	.1	2.0	2.0
Atomic Energy Commission.....	8.3	13.7	15.8
National Aeronautics and Space Administration.....	.9	.4	.8
National Science Foundation.....	47.7	29.0	40.1
Smithsonian Institution.....	1.5	1.6	1.8
Total.....	333.4	409.1	462.3

SPACE PROGRAMS

As shown on table I-12, new obligational authority for the total Federal space program is estimated at \$7.1 billion in 1968, an increase of \$371 million over 1967. Expenditures decrease \$174 million in 1968. The major increase in new obligational authority is in the Department of Defense, largely for development of the Manned Orbiting Laboratory (MOL). The principal expenditure decrease is in the National Aeronautics and Space Administration, reflecting the completion of the Gemini program and declining requirements for the manned lunar landing, offset in part by initiation of the Apollo Applications program.

Except for the operational satellite programs of the Department of Commerce, amounts for all space programs are classified as research and development for purposes of this special analysis.

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. About 60% of 1968 expenditures will be devoted to the achievement of a manned lunar landing within this decade. The Apollo Applications program of extended manned flight will account for \$375 million in 1968 expenditures. 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.

Table I-12. NEW OBLIGATIONAL AUTHORITY AND EXPENDITURES FOR FEDERAL SPACE PROGRAMS (in millions of dollars)

Agency	NEW OBLIGATIONAL AUTHORITY			EXPENDITURES		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
National Aeronautics and Space Administration ¹	5,094.5	4,864.2	4,930.4	5,857.9	5,505.0	5,190.0
Department of Defense.....	1,692.8	1,670.5	1,998.3	1,637.4	1,680.0	1,840.0
Atomic Energy Commission.....	186.8	181.3	151.6	188.3	182.6	152.2
Department of Commerce: Environmental Science Services Administration.....	26.5	29.6	34.8	28.1	29.5	40.1
Department of the Interior: U.S. Geological Survey.....	4.1	4.3	4.8	4.0	4.1	4.6
Department of Agriculture: Agriculture Research Service.....	-----	-----	.4	-----	-----	.4
National Science Foundation.....	3.2	2.4	2.8	2.8	2.0	2.4
Total	7,007.9	6,752.3	7,123.1	7,718.5	7,403.2	7,229.7

¹ Excludes aircraft technology.

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 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 nuclear rocket propulsion technology 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 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 Interior and Agriculture funds support research on remote sensing of earth resources. The amounts for the National Science Foundation are for research in astronomy using rockets and satellite-borne observation instruments.

WATER RESEARCH

In planning their 1968 programs, agencies were guided by the Ten-Year Program Report developed by the Committee on Water Resources Research of the Federal Council for Science and Technology. The latter report, released during 1966, provides for a balanced research program to meet the challenge of adequate water management.

The research effort in 1968 will increase by \$31 million as shown in table I-13. This increase is spread throughout the program with the most significant additions being assigned to water quality, water

supply aspects of weather modification, and further implementation of the Water Resources Research Act.

Coordinated planning and implementation of this program remains a continuing concern of the FCST committee. Through its efforts, plans have been made to establish a Water Resources Science Information Center in the Department of the Interior. The latter will be initiated in 1967, through a supplemental appropriation request, and its services will be available to all of the agencies.

Table I-13. OBLIGATIONS OF FEDERAL AGENCIES FOR WATER RESEARCH (in millions of dollars)

Agency	1966 actual	1967 estimate	1968 estimate
Departments of:			
Agriculture.....	17.0	18.9	19.2
Commerce.....	1.1	1.2	1.3
Defense.....	3.8	5.6	6.5
Health, Education, and Welfare.....	.3	.3	.5
Interior.....	63.0	80.8	109.9
Atomic Energy Commission.....	2.6	2.4	2.5
National Science Foundation.....	1.9	2.0	2.1
Tennessee Valley Authority.....	.7	1.0	1.0
Total.....	90.4	112.2	143.0

SCIENCE INFORMATION

Both the existing science information activities of the Federal agencies designed to put data on research into the hands of users more effectively, and investigations designed to make the entire National effort in this field more efficient, will be strengthened in 1968. Approximately \$60 million will be provided for the support of research and development on scientific and technical information systems, techniques, and devices. In this area, one of the most significant efforts will be devoted to the complex problem of building national systems, incorporating data from governmental and private sources, for specific fields of science, such as chemistry. During 1968, further work will be done, particularly by the National Science Foundation, not only on designing new systems for discrete fields of science but also on linking these systems together. Another significant development is the extension of existing Federal research project reporting systems so that the total investment of Federal funds in specific areas of science can be determined and disseminated efficiently. The central mechanism for planning and coordinating Federal activities in these fields is the Office of Science and Technology, assisted by the Committee on Scientific and Technical Information of the Federal Council for Science and Technology.

SUMMARY DATA

Table I-14 below gives historical data on total research and development expenditures by major agency. Table I-15, 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 1966, 1967, and 1968.

Table I-14. BUDGET EXPENDITURES FOR RESEARCH AND DEVELOPMENT,¹ 1954-66 (in millions of dollars)

Fiscal year	Department of Defense ²	NASA ³	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.....	6,735	5,933	1,462	877	235	774	16,016
1967.....	7,169	5,600	1,486	1,096	254	916	16,521
1968.....	7,682	5,300	1,599	1,184	304	987	17,056

¹ Including research and development facilities.

² Includes civil functions.

³ National Advisory Committee for Aeronautics prior to 1958.

Table I-15. EXPENDITURES FOR FEDERAL RESEARCH AND DEVELOPMENT PROGRAMS (in millions of dollars)

Description	Conduct of research and development			Research and development facilities		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Department of Agriculture:						
Agricultural Research Service.....	132.1	148.1	153.6	3.5	8.3	22.1
Cooperative State Research Service.....	51.8	55.6	60.5	.6	1.7	3.9
Forest Service.....	37.6	35.8	37.3	1.5	4.3	2.5
Other.....	21.8	22.4	21.1	.1	5.0	9.8
Total, Department of Agriculture.....	243.3	261.9	272.5	5.7	19.3	38.3
Department of Commerce:						
National Bureau of Standards.....	31.9	24.6	30.8	20.7	9.4	9.4
Environmental Science Services Administration.....	12.6	16.0	23.6			
Other.....	11.2	13.1	15.3			
Total, Department of Commerce.....	55.7	53.7	69.7	20.7	9.4	9.4
Department of Defense:						
Military.....	6,674.9	7,104.1	7,596.2	54.5	56.5	76.5
Civil.....	5.1	8.7	9.2			.2
Total, Department of Defense.....	6,680.0	7,112.8	7,605.4	54.5	56.5	76.7
Department of Health, Education, and Welfare:						
Food and Drug Administration.....	9.4	12.5	14.0	.8	1.1	4.9
Office of Education.....	37.5	64.8	80.3	5.2	12.8	29.0
Public Health Service.....	739.0	887.8	938.9	45.8	71.3	66.0
Vocational Rehabilitation Administration.....	26.3	29.6	31.9			
Welfare Administration and other.....	13.0	15.9	18.5			
Total, Department of Health, Education, and Welfare.....	825.2	1,010.6	1,083.6	51.9	85.2	99.9
Department of the Interior:						
Geological Survey.....	27.2	32.2	36.1	.6	.3	
Bureau of Mines.....	27.3	22.6	32.4		.6	2.0
Bureau of Commercial Fisheries.....	21.9	24.8	28.2	5.3	2.0	1.8
Office of Saline Water.....	12.7	10.8	22.6	.2	4.2	5.2
Water Pollution Control Administration.....	8.1	16.9	24.4	1.2	6.4	23.0
Office of Water Resources Research.....	5.8	6.9	10.7			
Other.....	29.0	30.9	32.1	5.4	5.8	6.2
Total, Department of the Interior.....	132.0	145.1	186.5	12.7	19.3	38.1
Department of Labor.....	23.1	26.5	29.9			
Department of Transportation.....	178.7	267.2	204.4	4.6	6.1	14.6
Atomic Energy Commission.....	1,212.6	1,274.7	1,369.5	249.5	211.2	229.9
National Aeronautics and Space Administration.....	5,350.4	5,310.0	5,126.0	582.6	290.0	174.0
National Science Foundation.....	176.3	196.5	226.4	58.2	57.0	77.3
Veterans Administration.....	38.5	43.2	45.0	3.7	3.9	4.5
Other.....	55.5	60.3	73.4	.8	1.0	.9
Total, research and development.....	14,971.4	15,762.5	16,292.2	1,044.9	758.8	763.7

SPECIAL ANALYSIS J

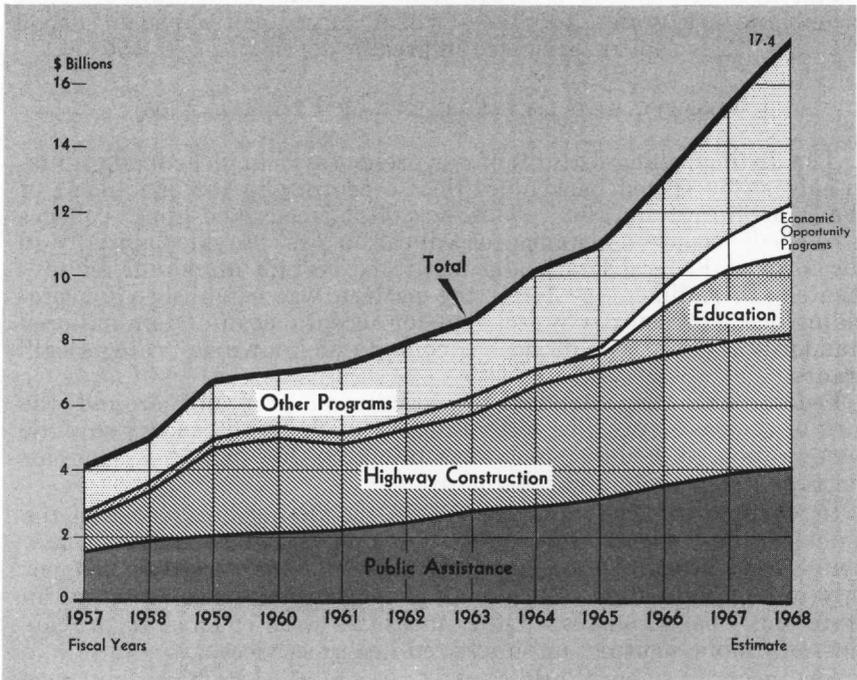
FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

In recent years, there has been a significant growth in the scope of cooperative governmental efforts to solve national problems. By sharing the resources derived from a growing economy, Federal aid enables vital national goals to be pursued in such areas as education, health, welfare, and urban development. At the same time, these jointly administered programs:

- Make it possible to pursue broad national objectives in a way which recognizes the diversity of local conditions and needs;
- Spread creative innovation in public services from one jurisdiction to another; and
- Preserve a fair and equitable total tax system—by relieving some of the pressure on those States and local tax sources which are less closely related to ability to pay than income taxes.

Federal Aid to State and Local Governments

Budget and Trust Fund Expenditures



HIGHLIGHTS FOR FISCAL YEAR 1968

The emphasis of Federal aid programs has shifted from time to time, in response to the diversity of problems confronted.

The following represent the highlights of the aid program for fiscal year 1968:

(1) *Total Federal aids* to State and local governments are estimated to increase by \$2.1 billion over 1967, to \$17.4 billion.¹ This represents more than a threefold increase in the short span of only a decade, and is nearly 45% greater than the rise in total Federal nondefense expenditures over the same period.

(2) *Public assistance and highways* continue to be the largest programs. Together, they constitute about half of total Federal aid payments.

(3) The *fastest-growing* grants are those to advance the war on poverty and to upgrade the elementary and secondary educational opportunities available to children of low-income families. Between fiscal years 1965 and 1968, grants administered by the Office of Economic Opportunity will increase by \$1.3 billion and those for the new elementary and secondary education program will rise by \$1.4 billion.

(4) *Total aids to metropolitan or urban areas* have risen from about \$3.9 billion in 1961 to an estimated \$10.3 billion in fiscal year 1968. Thus, Federal aids benefiting urban areas have grown almost \$6½ billion, or nearly 165% in less than a decade. (Included in these amounts are grants to States which subsequently benefit urban areas. This topic is discussed in greater detail on pages 155-56.)

GROWTH AND DEVELOPMENT OF FEDERAL AIDS

The distinguishing features of our present system of Federal grants-in-aid can be traced back more than a century to the enactment of the Morrill Act in 1862. This act established land-grant colleges (so called because assistance for education was provided initially in the form of Federal land), and instituted certain minimum requirements. In rudimentary form, the pattern was established for providing needed resources in exchange for acceptance of certain national standards. (This type of aid has come to be known as "categorical" grants.)

Federal aid was extended to agricultural programs around the turn of the century. The second decade of the 20th century saw the inauguration of Federal assistance programs for highways, and for vocational education and rehabilitation.

In the depression years of the 1930's, the financial exigencies of the time led the Federal Government to launch a wide range of new welfare and economic security programs. These were designed not only to help individuals but also to alleviate the intense pressures on State and local resources. Other measures were enacted to provide low-rent public housing and improved health services.

The years following World War II were marked by a series of new categorical grants for health care, for education in selected fields and

¹ Included in this amount are grants-in-aid and shared revenues from both administrative budget and trust funds. Loans and repayable advances are discussed separately.

areas, and for renewing the physical environment of the Nation's cities.

More recently, significant steps have been taken to broaden elementary, secondary, and higher educational opportunities; to develop economically depressed areas of the country; to help finance health services and medical care for the indigent; and to launch a concerted attack on poverty. And, in 1966, a comprehensive new program was enacted to transform areas of cities now encumbered by slums and blight into model neighborhoods.

Factors underlying growth in Federal aids.—Increasing population and rapid urbanization have led to greater demands for the services traditionally provided by State and local governments. Programs in education, health, housing, urban renewal, highways, and public transportation have all increased in size and scope. Rapid economic change and rising affluence have stimulated programs for safeguarding the economic security of individuals. While the major burden for providing such public services rests directly upon the more than 90,000 State and local governmental jurisdictions, the Federal Government also plays a vital role: first, by providing financial assistance to State and local governments; and second, through direct operation of various programs. Furthermore, by encouraging a sound and growing economy the Federal Government helps States and localities indirectly by promoting a growing tax base.

Federal-aid program by function.—The factors creating pressures to increase Federal aids, coupled with the changing nature of State and local program needs, have altered substantially the focus of Federal aids at several junctures in the past two decades. These changes can be traced in the accompanying table.

In 1950 and 1955, prior to the advent of the expanded Federal-aid highway program, nearly three-fifths of total grant payments were for health, labor, and welfare programs. Public assistance payments alone accounted for nearly half of the total. Commerce and transportation activities comprised another one-fifth.

The Federal-Aid Highway Act of 1956 significantly modified the pattern of aid to State and local governments. By 1960, with the infusion of more than \$2½ billion in additional funds for highway grants, commerce and transportation programs moved once again to a dominant position in Federal assistance activities.

Table J-1. PERCENTAGE DISTRIBUTION OF FEDERAL AIDS TO STATE AND LOCAL GOVERNMENTS BY FUNCTION ¹

Function	1950 actual	1955 actual	1960 actual	1965 actual	1968 estimate
Agriculture and agricultural resources . . .	5	7	3	5	3
Natural resources	2	3	3	3	3
Commerce and transportation	21	19	43	40	25
Housing and community development . . .	1	4	4	5	7
Health, labor, and welfare	69	57	41	40	46
Education	2	8	5	6	14
Other	1	2	1	1	1
Total	100	100	100	100	100

¹ Excludes loans and repayable advances.

In more recent years, both the nature and number of aid programs have changed appreciably. In the last 4 years, the Congress enacted several programs which are 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 1968, these programs will account for two-thirds of total estimated aid payments.

Federal aid in relation to Federal and State-local outlays.—The rapid increase in Federal aid to State and local governments has become an increasingly important factor in the finances of all levels of government. Federal aid as a proportion of total Federal outlays has nearly doubled in the past decade—rising from 5% of total Federal outlays in 1957 to an estimated 10% in 1967. In terms of domestic programs, about one-fifth of Federal payments will take the form of grants to State and local governments in 1968. Because of strenuous efforts on their own behalf, the relative increase in the amount of Federal aid has not been quite as marked for the recipient State and local governments as it has for the Federal Government. Federal aid constituted approximately 11% of all general revenue available to State and local governments in 1957; the corresponding amount for 1967 will rise to an estimated 16–17%.

Table J-2. FEDERAL-AID EXPENDITURES IN RELATION TO TOTAL FEDERAL EXPENDITURES AND TO STATE-LOCAL REVENUE ¹

	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 domestic ² cash payments to the public	As a percent ³ of State-local revenue
1955.....	3,257	4.6	11.9	10.4
1956.....	3,724	5.1	12.7	10.6
1957.....	4,039	5.0	12.5	10.5
1958.....	4,935	5.9	14.2	12.0
1959.....	6,669	7.0	15.0	14.6
1960.....	7,040	7.5	15.6	13.8
1961.....	7,112	7.1	15.0	13.2
1962.....	7,893	7.3	15.6	13.5
1963.....	8,634	7.6	16.1	13.7
1964.....	10,141	8.4	17.5	14.8
1965.....	10,904	8.9	17.7	14.7
1966.....	12,960	9.4	18.8	15.6
1967 estimate.....	15,366	9.6	19.5	16–17
1968 estimate.....	17,439	10.1	20.4	(⁴)

¹ Excludes loans and repayable advances.

² Excluding payments for national defense, space, and international affairs and finance.

³ 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.

⁴ Not available.

Division of responsibility among governments.—From the turn of the century until the early 1950's, local government expenditures declined relative to those of the States. However, for the past

decade or more, the three levels of government have shown a remarkable stability in the proportionate costs they bear for directly providing civilian services. About two-thirds of total civilian outlays are made by States and localities, with the localities alone providing more than 40%.

Table J-3. DIRECT SPENDING FOR GENERAL DOMESTIC¹ PROGRAMS—PERCENTAGE DISTRIBUTION

Fiscal year	Federal	State	Local	Total
1965.....	34	23	43	100
1960.....	36	22	42	100
1955.....	38	21	41	100
1950.....	46	19	35	100
1944.....	60	12	28	100
1936.....	49	15	36	100
1902.....	28	9	62	100

¹ Direct general expenditures, excluding those for defense, space, and international programs. Excludes trust funds and Government-operated enterprises.

Source: Tabulations of the Governments Division, Bureau of the Census.

ADMINISTRATION OF FEDERAL-AID PROGRAMS

The effective administration of Federal-aid programs, while always important, has become a matter of increasing concern. The manner in which funds are distributed and the need to coordinate the growing number of aid programs have attracted particular attention.

Types of grant-in-aid formulas.—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, enabling States with relatively meager resources to obtain a proportionately larger share of Federal aid.

Before the 1930's, Federal grants were apportioned among the States either as a flat sum per State or on the basis of State population. 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 4 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 total 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.

Growth in number of aid programs.—The number as well as the magnitude of Federal-aid programs has grown in response to the increasing array of problems faced by State and local governments which are also of immediate national concern.

While not strictly comparable to the concept of aid used in this analysis, the Legislative Reference Service of the Library of Congress has tabulated the number of aid programs in effect during the past 3 years. In early 1964, the number of major assistance programs exceeded 115. Two years later, the number of programs had grown to 162. In many cases, a given program has several different grant authorizations. The total number of such authorizations rose from 239 in 1964 to 399 in 1966.

TABLE J-4. NUMBER OF AID AUTHORIZATIONS IN EFFECT AT SPECIFIED DATES

Functional category	Apr. 1, 1964	Jan. 4, 1965	Jan. 10, 1966
National defense.....	11	11	11
Agriculture and agricultural resources.....	12	12	15
Natural resources.....	33	41	54
Commerce and transportation.....	23	25	37
Housing and community development.....	17	23	32
Health, labor, and welfare.....	94	114	153
Education.....	37	42	82
Veterans benefits and services.....	1	3	3
General government.....	11	12	12
Total number of authorizations.....	239	283	399
Total number of major programs.....	(116)	(135)	(162)

Source: Labovitz, I. M., "Number of Authorizations for Federal Assistance to State and Local Governments Under Laws in Force at Selected Dates During 1964-66" (Library of Congress), July 5, 1966.

On an agency basis, the largest number of programs—more than 45% of total authorizations—is administered by the Department of Health, Education, and Welfare.

The Departments of Agriculture, Interior, and Housing and Urban Development, combined, account for an additional 25%.

Measures to coordinate Federal-aid programs.—While easing State and local financial problems, the rapid increase in new aid programs has focused attention on the need for coordination and improvement in their administration.

A number of steps are being taken to improve the administration of grant programs and intergovernmental relations:

- High-level liaison with State and local governments is being

provided through the Vice President of the United States and the Executive Office of the President.

- Funds will be sought to enable the Bureau of the Budget to intensify its review of intergovernmental relations problems and to strengthen the coordination of Federal programs, particularly in the field.
- Systematic examinations of problems of intergovernmental coordination are being made in selected States.
- Coordination of Federal efforts is being strengthened by the specific assignment of such roles to the Department of Housing and Urban Development for urban areas and the Department of Agriculture in rural areas.
- Simplification of the grant-in-aid system has been undertaken in the area of public health. A number of grants have already been brought together under the new Partnership in Health program. Other areas of Federal aid will be studied to determine whether additional grants can be combined to make them more effective tools of intergovernmental action.
- Improved consultation with elected officials of State and local governments is being sought in the development and execution of Federal programs.
- New aids to multijurisdictional coordination have been provided in such programs as those for metropolitan development, pollution control in river basins, and regional economic development.
- Steps are being taken to coordinate Federal and State actions in establishing development planning districts.

As a further step toward more effective cooperative governmental services, legislation will be proposed to improve the training and mobility of State and local personnel. In addition, the Congress will be asked again to take favorable action on general legislation to improve and strengthen intergovernmental cooperation.

Efforts to refine the grant as an instrument of cooperative intergovernmental action are clearly worthwhile. Grants have served us well in the past and offer equal promise for the future. These joint Government programs have proven *effective*—by combining available resources, by specifying certain minimum standards of performance, and by decentralizing their actual administration. They are also *efficient*, since Federal funds are focused on those national goals and governmental units which need them most.

SPECIAL ASPECTS OF THE 1968 AID PROGRAM

This section focuses only on the 1968 aid program, and some of its significant features. Major changes from the preceding year, and Federal aid by agency and type are the principal topics treated.

Major program changes for 1968.—In 1968, total expenditures under existing and proposed programs for financial assistance to other levels of government will increase substantially. The total is estimated to be \$2.1 billion more than for 1967 and \$4.5 billion more than the actual total for 1966.

The major increases in grants for 1968 over the 1967 estimates are as follows:

- Health, labor, and welfare grants will rise an estimated \$1.0 billion, as antipoverty efforts gain further momentum and cooperative health programs increase in scope.
- Grants for housing and community development are up by an estimated \$446 million (54%) over 1967, as programs to assist in solving urban slum, growth, and transit problems are intensified.
- Educational assistance programs are estimated to rise by \$269 million to a total of \$2.5 billion, largely reflecting legislation enacted in the past 4½ years for elementary, secondary, vocational, and higher education.

Decreases in expenditures in 1967 are expected to occur in: (1) accelerated public works (almost \$36 million), as most projects are now completed; and (2) Federal-aid highways (nearly \$125 million).

Federal-aid programs by agency.—In 1968, the Department of Health, Education, and Welfare will spend approximately \$8 billion through its grants-in-aid programs—about 46% of total Federal aid. Another 23%, or \$4.1 billion, will be accounted for by the Department of Transportation. The Office of Economic Opportunity, and the Departments of Agriculture and Housing and Urban Development will finance an additional 22% of Federal-aid programs. 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 group.

Table J-5. FEDERAL AIDS BY AGENCY (in millions of dollars) ¹

Agency	1966 actual	1967 estimate	1968 estimate
Executive Office of the President.....	.9	.7	.2
Funds appropriated to the President:			
Economic opportunity programs.....	639.3	1,103.4	1,410.0
Other (primarily public works acceleration and disaster relief) ..	221.8	120.1	34.5
Department of Agriculture.....	849.3	1,101.5	1,221.4
Department of Commerce.....	17.7	96.6	220.0
Department of Defense—Military.....	24.3	26.2	32.7
Department of Defense—Civil.....	20.0	16.8	35.7
Department of Health, Education, and Welfare.....	5,676.8	7,051.6	7,963.3
Department of Housing and Urban Development.....	582.0	765.0	1,203.7
Department of the Interior.....	237.1	288.6	413.3
Department of Justice.....	.6	10.4	31.9
Department of Labor.....	491.3	547.5	591.6
Department of State.....	6.3	6.4	6.4
Department of Transportation.....	4,055.4	4,063.1	4,093.2
Treasury Department.....	71.4	80.1	76.7
General Services Administration.....	.7		
Veterans Administration.....	8.6	11.4	15.0
Other independent agencies.....	12.4	16.8	18.9
District of Columbia ²	44.2	60.0	70.6
Total, budget and trust fund expenditure for Federal aid.....	12,960.1	15,366.1	17,439.0

¹ Excludes loans and repayable advances.

² Represents Federal payments to the District of Columbia.

Types of Federal aid.—Federal financial assistance to State and local governments primarily takes the form of grants-in-aid and shared revenue. In 1968, it is estimated that \$17.2 billion or 98.7% of total expenditures for aid will take the form of grants-in-aid. Shared revenue will account for \$223 million, or 1.3%. Apart from these types of Federal aid, many other Federal expenditures which are not included in this analysis affect the finances of State and local governments, such as contractual payments or grants to public institutions for research and training in specialized fields.

Table J-6. **TYPES OF FEDERAL AID BY FUNCTION, 1968** (in millions of dollars)

Function	Grants-in-aid	Shared revenues	Total aids
National defense.....	32.9	.....	32.9
International affairs and finance.....	6.0	.....	6.0
Agriculture and agricultural resources.....	559.0	.....	559.0
Natural resources.....	405.3	136.0	541.3
Commerce and transportation.....	4,313.8	.....	4,313.8
Housing and community development.....	1,274.3	.....	1,274.3
Health, labor, and welfare.....	8,042.0	.....	8,042.0
Education.....	2,497.9	.....	2,497.9
Veterans benefits and services.....	15.0	.....	15.0
General government.....	70.1	86.7	156.8
Total.....	17,216.3	222.7	17,439.0

¹ Excludes loans and repayable advances.

Formerly, certain transactions of a strictly financial nature were also classified as aids to State and local government. *Loans and repayable advances* were included in the aid totals on a net basis (disbursements less repayments or sales). Since the amounts were small (an average of less than 3% of the total), and essentially different in kind from the outright grants and shared revenues, they are shown separately this year. Moreover, to measure the total activity generated by these loans and advances, they are shown on a gross, as well as net, disbursements basis. Net loans and repayable advances have been removed from the historical series on Federal aids to make the data consistent over time.

Table J-7. LOANS AND REPAYABLE ADVANCES (budget and trust accounts in millions of dollars)

Agency and program	Gross disbursements			Net expenditures		
	1966 actual	1967 estimate	1968 estimate	1966 actual	1967 estimate	1968 estimate
Agriculture and agricultural resources	0.9	1.0	0.8	0.9	1.6	1.4
Natural resources:						
Department of Agriculture: Watershed protection and flood prevention	4.8	6.8	6.2	4.3	6.2	4.8
Department of the Interior: Irrigation projects	18.0	14.4	15.5	17.8	14.2	15.4
Total, natural resources	22.8	21.2	21.7	22.1	20.4	20.2
Commerce and transportation: Economic development	3.7	21.5	38.6	3.7	21.5	21.4
Housing and community development:						
Department of Housing and Urban Development:						
Liquidating programs: Community facilities loans			2.6	-.4	-.4	2.2
Low-rent public housing program	199.3	218.8	246.5	-2.1	-.2	-.2
Public facilities	33.4	54.1	56.2	28.9	-30.6	-27.5
Public works planning	16.1	20.5	19.1	8.8	12.0	10.0
Urban renewal fund	284.9	625.0	371.3	30.3	36.7	22.5
Urban transit fund	3.1			2.9	-.2	-.2
District of Columbia: Capital outlays and operations	71.2	90.2	52.7	24.1	55.1	52.7
Total, housing and community development	608.0	1,008.6	748.4	92.5	72.4	59.5
Education:						
Department of Health, Education, and Welfare:						
Student loan fund		17.5			17.5	
Higher education facilities	25.4	127.7	99.5	25.4	-27.7	-.5
Department of Housing and Urban Development:						
College housing	179.0	195.0	171.6	167.2	-87.8	-555.3
Total, education	204.4	340.2	271.1	192.6	-98.0	-555.8
General government:						
Department of Defense—Civil: Corps of Engineers: Construction of power systems, Ryukyu Islands .....	.4	4.4	4.0	.4	4.4	4.0
Department of the Interior: Administration of territories	5.4	5.4	5.0	5.4	5.4	4.4
Total, general government	5.8	9.8	9.0	5.8	9.8	8.4
Total, loans and repayable advances	845.6	1,402.3	1,089.6	317.6	27.7	-444.9

AIDS TO URBAN AREAS AND REGIONS

Increasing attention has been focused recently on two cross-cutting issues concerning Federal aids:

- (1) The amount of these aids which assist metropolitan or urban areas in meeting their pressing needs; and

(2) The geographical distribution of Federal aids.

Counties are the smallest geographical unit for which information on Federal aids is generally available. Therefore, Standard Metropolitan Statistical Areas (SMSA's) were chosen as the definition of "urban" for purposes of the figures in the following analysis—since SMSA's are generally combinations of entire counties. These areas cover the bulk of the urban population and display the urban phenomena which place heavy pressure on public service requirements: high population density and rapid population growth. Nevertheless, the amounts shown still only represent *approximations*, based on the best information readily available.

Aids to urban areas.—Approximately \$10.3 billion of the \$17.4 billion of total Federal aids will be spent in SMSA's to help fill the growing gap between their needs and resources. This represents an increase of almost \$6½ billion or 165% over the amount of aid provided to such urban areas in 1961. The amount will have increased almost \$3 billion in the short span of only 2 years.

The table below shows the major sources of urban aid, by function and program, for selected years.

Table J-8. FEDERAL-AID PAYMENTS IN URBAN AREAS (budget and trust accounts in millions of dollars)¹

Function and program	1961 actual	1966 actual	1968 estimate
National defense (civil defense and National Guard centers).....	10	20	26
Agriculture and agricultural resources.....	155	149	235
Natural resources.....	54	105	200
Commerce and transportation:			
Highways.....	1,398	2,138	2,176
Economic development.....		2	36
Airports.....	36	30	33
Other.....	1	52	6
Housing and community development:			
Public housing.....	105	169	208
Water and sewer facilities.....			61
Urban renewal.....	106	235	336
Model cities.....			132
Urban transportation.....		14	98
District of Columbia.....	25	44	71
Other.....	2	23	100
Health, labor, and welfare:			
Office of Economic Opportunity.....		449	1,010
School lunch, special milk, food stamp.....	131	196	290
Hospital construction.....	48	75	95
Community health.....	33	127	450
Public assistance (including medical care).....	1,170	1,905	2,243
Vocational rehabilitation.....	37	108	211
Employment security and manpower training.....	303	417	501
Other.....	21	47	101
Education:			
Elementary and secondary.....	222	895	1,292
Higher education.....	5	37	172
Vocational education.....	28	90	160
Other.....	3	27	80
Other functions.....		*	6
Total aids to urban areas.....	3,893	7,354	10,329

* Less than \$0.05 million.

¹ Excludes loans and repayable advances.

The major increases in Federal grants for urban areas occur in housing and community development, education, and programs to improve the welfare of our disadvantaged citizens.

In addition to the grants and shared revenue which will be provided to State and local governments in 1968, approximately \$498 million in loans and repayable advances will also be made available. This represents approximately 70% of total disbursements for such financial assistance, and an increase of \$322 million from the amount so provided in 1961.

Federal housing loans and loan insurance encourage additional public and private funds to be provided to meet urban housing needs. Mortgage funds totaling \$10.6 billion in 1968 will be covered by these programs, up \$3.3 billion from 1961.

The emphasis in this analysis has been on those programs which provide financial assistance to urban communities to help them meet their public service needs. It includes grants made to States which are subsequently spent to benefit metropolitan areas. No attempt has been made to add up all the various forms of funds to reach an overall total. However, the Department of Housing and Urban Development (HUD) estimates that the total Federal financial commitment for urban social and community development aids could exceed \$33 billion in 1968—nearly double the level in 1961.

While the tabulations are not fully comparable, the estimates of the Department of Housing and Urban Development do serve to put in perspective the more direct urban aid expenditures covered by this analysis. The Department's figures indicate the magnitude of financial involvement in communities of 2,500 population or over, as measured by obligations or commitments. (Obligations or commitments indicate the current level of program activity rather than the current disbursement of funds.) The HUD data also include the cost of some construction undertaken and services provided directly by the Federal Government in urban areas.

Regional distribution of Federal aids.—The regional distribution and relative importance of Federal aids to State and local governments can be seen in the following table.

Table J-9. REGIONAL DISTRIBUTION OF FEDERAL AID, FISCAL YEAR 1965¹

Region	Total (in millions)	Per capita	Percent of State and local govern- ment general revenue
New England.....	\$619.7	\$55.67	14.5
Mideast.....	1,796.2	43.60	10.6
Great Lakes.....	1,614.0	42.31	11.7
Plains.....	973.6	61.31	16.0
Southeast.....	2,637.7	62.52	20.4
Southwest.....	998.2	63.69	18.2
Rocky Mountain.....	481.6	102.53	22.9
Far West.....	1,658.7	66.61	13.3
United States.....	² 10,903.9	56.26	14.7

¹ Excludes loans and repayable advances.

² Includes \$124.1 million for Puerto Rico, the Virgin Islands and other.

Sources: "Annual Report of the Secretary of the Treasury" and "Governmental Finances in 1964-65," Bureau of the Census.

The distribution of Federal aids on a regional basis ranges from a high of more than \$2.6 billion in the Southeast to a low of \$482 million in the Rocky Mountain area. However, when account is taken of population differences, the Rocky Mountain area ranks highest with grant payments per capita reaching \$102.53, while the Great Lakes and Mideast regions are lowest with \$42.31 and \$43.60 per capita respectively. Population density and per capita income are the two major factors which account for this wide variation.

Population density is inversely related to the level of per capita aids. The population density of the Rocky Mountain area is the lowest of the regions, while per capita aids are highest. At the other end of the scale, per capita aids are lowest in the Great Lakes and Mideast where population density is the greatest. This inverse relationship stems primarily from aids for highway construction. The cost of building a highway which crosses a State is little affected by the number of people living in the State.

Per capita aid is also inversely related to per capita income. There are two reasons for this relationship. First, some grant programs, such as hospital construction and water pollution control, require lower matching by the relatively poorer States. Second, certain grant programs, such as those for public assistance and elementary and secondary education, are designed as aids to the disadvantaged and, hence, tend to flow to States with lower incomes.

The forthcoming Annual Report of the Secretary of the Treasury for 1966 (table 84) provides more detailed information concerning the State distribution of grants-in-aid and shared revenues for fiscal year 1966.

Table J-10. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS
(in millions of dollars)

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
BUDGET AND TRUST ACCOUNTS ¹				
Grants-in-aid and shared revenue ²				
National defense:				
Executive Office of the President: Office of Emergency Planning—Federal contributions to State and local planning	059	0.9	0.7	0.2
Department of Defense—Military:				
Civil defense shelters and financial assistance	051	21.2	25.5	30.0
Construction of Army National Guard centers	051	3.0	.7	2.7
Total, national defense		25.2	26.9	32.9
International affairs and finance:				
Department of State: East-West Cultural and Technical Interchange Center	153	6.3	6.2	6.0

See footnotes at end of table.

Table J-10. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS
(in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
BUDGET AND TRUST ACCOUNTS¹—Continued				
Grants-in-aid and shared revenue²—Continued				
Agriculture and agricultural resources:				
Department of Agriculture:				
Commodity Credit Corporation and Consumer and Marketing Service: Removal of surplus agricultural commodities and value of commodities donated.....	351	226.9	324.5	361.2
Rural water and waste disposal facilities.....	352	.1	40.9	30.0
Rural housing for domestic farm labor.....	352		6.0	4.0
Resource conservation and development.....	354	.3	1.2	2.3
Agricultural Research Service: Grants for basic scientific research.....	355	1.0	1.0	1.0
Agricultural experiment stations.....	355	50.9	57.0	64.1
Cooperative agricultural extension service.....	355	86.7	89.5	93.6
Payments to States, territories, and possessions, Consumer and Marketing Service.....	355	1.8	1.8	1.8
Commodity Credit Corporation: Grants for research.....	355	1.1	3.3	1.2
Total, agriculture and agricultural resources.....		368.7	525.1	559.0
Natural resources:				
Department of Agriculture:				
Watershed protection and flood prevention.....	401	69.1	68.2	71.4
Grants for forest protection, utilization, and basic scientific research.....	402	18.7	19.2	19.8
National forest and grassland funds; payments to States and counties (shared revenue).....	402	35.9	42.9	43.6
Department of Defense—Civil: Corps of Engineers:				
Payment to California, flood control.....	401	18.1	14.4	33.7
Payments to States, Flood Control Act of 1954 (shared revenue).....	401	2.0	2.4	1.9
Department of the Interior:				
Water pollution control.....	401	88.5	92.0	171.0
Payments to States and counties from grazing receipts, grasslands, and sales of public lands (shared revenue).....	401	.9	1.0	1.1
Bureau of Indian Affairs: Resources management.....	401	.9	.9	.9
Bureau of Reclamation:				
Grants.....	401	.1	.1	
Payments to Klamath area, Arizona and Nevada (shared revenue).....	401	.6	.7	.7
Office of Water Resources Research.....	401	5.4	5.6	8.0
Office of Saline Water.....	401			3.5
Payments from grant lands: Oregon, California, and Coos and Douglas Counties (shared revenue).....	402	20.2	21.4	24.3
Mineral Leasing Act payments (shared revenue).....	403	46.9	48.2	49.2
Bureau of Mines:				
Mine drainage and solid waste disposal.....	403	.3	.5	1.1
Appalachian mining area restoration.....	403	.4	2.3	11.0
Aid for commercial fisheries.....	404	.4	3.2	4.4
Payment to Alaska from Pribilof Island fund (shared revenue).....	404		.3	.4
Fish and wildlife restoration and management.....	404	21.8	24.7	25.1
Wildlife refuge fund and grasslands payments (shared revenue).....	404	.4	1.6	1.5
Land and water conservation grants.....	405	3.1	28.8	51.0
Preservation of historic properties.....	405			1.8

See footnotes at end of table

Table J-10. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS
(in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
BUDGET AND TRUST ACCOUNTS—Continued				
Grants-in-aid and shared revenue²—Continued				
Natural resources—Continued				
Department of State: Pacific Halibut Commission	404	-----	.2	.4
Federal Power Commission: Payments to States (shared revenue)	401	.1	.1	.1
Tennessee Valley Authority: Payments in lieu of taxes (shared revenue)	401	10.4	11.9	13.1
Water Resources Council	401	-----	1.4	2.1
Total, natural resources	-----	344.5	391.7	541.3
Grants-in-aid	-----	(226.9)	(261.3)	(405.3)
Shared revenue	-----	(117.5)	(130.4)	(136.0)
Commerce and transportation:				
Funds appropriated to the President: Public works acceleration	507	84.7	35.7	-----
Department of Commerce:				
State marine schools	502	.4	.4	.4
Improvement of weights, measures, and technology	506	.1	-----	-----
Office of State Technical Services	506	1.3	3.5	7.1
Economic development assistance	507	7.0	50.6	131.8
Appalachian development highways	507	8.9	42.1	80.7
Department of Transportation:				
Chamizal Memorial Highway	503	-----	-----	4.0
Forest and public lands highways	503	40.0	39.4	(³)
Highway safety and beautification	503	2.5	42.8	(⁴)
Highway Beauty-Safety (trust fund)	503	-----	-----	227.5
Federal-aid highways (trust fund)	503	3,958.9	3,926.8	3,802.7
Federal Aviation Administration: Federal-aid airport program	501	54.0	54.0	59.0
Appalachian Regional Commission	507	.9	.9	.6
Total, commerce and transportation	-----	4,158.7	4,196.3	4,313.8
Grants-in-aid, administrative budget	-----	(199.8)	(269.4)	(283.6)
Grants-in-aid, trust fund	-----	(3,958.9)	(3,926.8)	(4,030.2)
Housing and community development:				
Funds appropriated to the President: Alaska mortgage indemnity grants	551	-----	3.3	-----
Department of Housing and Urban Development:				
Alaska housing	551	-----	-----	.1
Low-rent public housing program	552	225.5	249.1	277.7
Urban planning grants	553	20.1	22.0	30.0
Open space land and urban beautification	553	7.9	28.5	57.8
Grants for basic water and sewer facilities	553	-----	40.0	110.0
Grants for neighborhood facilities	553	-----	3.0	15.0
Model city grants	553	-----	5.2	147.0
Urban renewal	553	312.8	361.3	447.5
Urban transportation assistance	553	15.8	55.9	108.7
Metropolitan development incentive grants	553	-----	-----	7.0
Other aids for urban renewal and community facilities	553	-----	-----	3.0
District of Columbia: Federal payment	555	44.3	60.0	70.6
Total, housing and community development	-----	626.2	828.2	1,274.3

See footnotes at end of table.

Table J-10. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS
(in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1967 estimate	1968 estimate
BUDGET AND TRUST ACCOUNTS ¹ —Continued				
Grants-in-aid and shared revenue ² —Continued				
Health, labor, and welfare:				
Funds appropriated to the President:				
Disaster relief.....	659	131.7	81.1	34.5
Office of Economic Opportunity:				
Community action programs:				
Head start.....	655	75.7	250.0	360.0
Other.....	655	215.0	318.0	436.0
Neighborhood Youth Corps.....	655	239.3	291.0	300.8
Work experience.....	655	74.4	124.8	97.0
Adult basic education.....	655	21.1	13.9	.....
Adult work training and special impact.....	655	.....	75.0	185.0
Other.....	655	13.8	30.7	31.2
Department of Agriculture:				
Special milk and school lunch.....	659	291.5	315.7	343.6
Food stamp.....	659	65.4	131.4	184.0
Department of Health, Education, and Welfare:				
Hospital construction.....	651	196.1	219.9	230.5
(Portion to private, nonprofit institutions).....	651	(104.5)	(114.4)	(116.3)
Health manpower.....	651	6.7	47.5	138.3
Comprehensive health planning and services.....	651	.....	4.0	105.7
Medical services: Hospitals and medical care, Hawaii; and Indian health facilities.....	651	.8	1.2	1.5
National Institutes of Health.....	651	.1	.....	.....
Mental health.....	651	92.4	112.4	216.1
Health services.....	651	20.4	33.2	55.7
Disease prevention and environmental health.....	651	43.6	72.8	49.6
Maternal and child welfare.....	651	114.4	154.6	207.3
Medical assistance.....	651	769.5	1,038.2	1,182.8
Public assistance (exclusive of medical assistance).....	653	2,758.0	2,887.6	2,970.2
Vocational rehabilitation.....	659	158.8	256.8	309.7
Administration on Aging.....	659	1.3	4.6	10.3
Department of Labor:				
Manpower development and training activities.....	652	22.0	30.0	40.0
Grants to States for administration of employment security programs (trust fund).....	652	469.3	517.5	551.6
Equal Opportunity Commission.....	652	.....	.7	.7
Total, health, labor, and welfare.....		5,781.3	7,012.4	8,042.0
Grants-in-aid, administrative budget.....		(5,312.0)	(6,494.9)	(7,490.4)
Grants-in-aid, trust fund.....		(469.3)	(517.5)	(551.6)
Education:				
Department of Health, Education, and Welfare:				
Assistance to schools in federally affected areas.....	701	378.2	391.0	390.0
Elementary and secondary educational activities.....	701	900.0	1,324.2	1,456.1
Higher education activities (including land-grant colleges).....	702	53.2	170.3	245.3
Vocational education.....	704	128.5	220.7	228.0
Arts and humanities educational activities.....	704	.1	.5	.5
Grants for library services and construction.....	704	44.8	89.9	107.3
Training teachers of the handicapped.....	704	2.6	6.0	13.0
Community services and National Teacher Corps.....	704	.....	3.0	8.5
Civil rights educational activities.....	704	2.0	3.5	15.9
Teaching of the blind and deaf.....	704	.9	1.1	1.6
Educational television facilities.....	704	4.4	7.8	19.7

Table J-10. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS
(in millions of dollars)—Continued

Agency and program	Functional code	1966 actual	1966 estimate	1968 estimate
BUDGET AND TRUST ACCOUNTS ¹ —Continued				
Grants-in-aid and shared revenue ² —Continued				
Education —Continued				
Department of the Interior: Bureau of Indian Affairs:				
Education and welfare services.....	704	10.0	9.5	10.0
National Foundation on the Arts and Humanities.....	704		1.0	2.2
Total, education		1,524.7	2,228.5	2,497.9
Veterans benefits and services:				
Veterans Administration:				
Aid to State homes.....	804	8.6	9.0	9.3
Grants for construction of State nursing homes.....	804		1.0	4.2
Administrative expenses.....	805	.3	1.5	1.5
Total, veterans benefits and services		8.9	11.4	15.0
General government:				
Funds appropriated to the President: Transitional grants to Alaska.....				
	910	5.4	*	
Department of the Interior:				
Grants to territories.....	910	26.5	36.8	38.2
Internal revenue collections, Virgin Islands (shared revenue).....	910	10.4	11.1	10.0
Department of Justice:				
Law enforcement assistance:				
Education and training.....	908	.6	4.2	6.2
Other.....	908		6.3	6.3
Crime prevention and control.....	908			19.5
Treasury Department:				
Tax collections for Puerto Rico (shared revenue).....	910	51.8	52.0	52.0
Bureau of Customs: Refunds, transfers and expenses of operation, Puerto Rico and the Virgin Islands (trust fund shared revenue).....	904	19.6	28.1	24.7
General Services Administration: Hospital facilities in the District of Columbia.....	905	.7		
President's Crime Commissions.....	908	.6	.9	
Total general government		115.6	139.3	156.8
Grants-in-aid, administrative budget.....		(33.8)	(48.1)	(70.1)
Shared revenue, administrative budget.....		(62.2)	(63.1)	(62.0)
Shared revenue, trust fund.....		(19.6)	(28.1)	(24.7)
Total grants-in-aid and shared revenue		12,960.1	15,366.1	17,439.0
Total grants-in-aid, administrative budget.....		(8,332.6)	(10,700.1)	(12,634.6)
Total grants-in-aid, trust funds.....		(4,428.1)	(4,444.4)	(4,581.8)
Total shared revenue, administrative budget.....		(179.7)	(193.5)	(198.0)
Total shared revenue, trust funds.....		(19.6)	(28.1)	(24.7)

*Less than \$0.05 million.

¹ Budget accounts unless otherwise specified. Many expenditures listed here are parts of larger appropriation accounts or trust accounts.

² Grants-in-aid unless otherwise specified.

³ Reflects proposed transfer of forest and public lands highways to the highway trust fund.

⁴ Reflects proposed establishment of a new Beauty-Safety trust fund.

SPECIAL ANALYSIS K

PRINCIPAL FEDERAL STATISTICAL PROGRAMS

Principal statistical programs of the Federal Government in the 1968 budget are summarized in this analysis. The general year-to-year level of statistical activities of the various agencies is reflected in the amounts shown for current statistical programs. Recommendations in 1968 for current statistics total \$122.4 million. Periodic statistics, as distinguished from current, are characteristically derived from census-type surveys taken once or twice a decade, and amounts fluctuate widely from year to year depending upon the nature and periodicity of the activities. Recommendations for the periodic programs for 1968 aggregate \$40.5 million.

Objectives of these programs are to provide accurate, comprehensive, and timely information on the functioning of the economy and welfare of the people, both for Government decisions and for private and general public use. 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.

Current statistical programs presented here represent the entire programs of some agencies but only that portion of the programs of other agencies constituting general-purpose statistical activity. A significant change in this year's presentation is the inclusion of the statistical activities of the new Department of Transportation.

Amounts for the Department of Housing and Urban Development in this analysis relate only to statistical activities; funds for urban research are not included although they were in former years.

An adjustment is also made this year in the amounts carried for the Economic Research Service of the Department of Agriculture. Nearly three-fourths of the activities of this agency are excluded in this analysis because they are primarily of a research nature rather than statistical.

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.

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

Program	1966 actual	1967 estimate	1968 estimate
Labor statistics (Departments of Agriculture, Interior, and Labor; National Science Foundation).....	26.0	26.9	29.2
Demographic and social statistics (Departments of Agriculture, Commerce, and Health, Education, and Welfare; National Science Foundation; Office of Economic Opportunity).....	24.2	31.9	37.2
Prices and price indexes (Departments of Agriculture, Commerce, and Labor).....	5.6	6.2	7.4
Production and distribution statistics (Departments of Agriculture, Commerce, Defense, Interior, and Transportation; Civil Aeronautics Board; Interstate Commerce Commission).....	28.6	32.0	33.1
Construction and housing statistics (Departments of Commerce and Housing and Urban Development; Federal Home Loan Bank Board).....	3.2	3.4	3.7
National income and business financial accounts (Departments of Agriculture, Commerce, and Treasury; Federal Trade Commission; Securities and Exchange Commission).....	8.7	10.8	11.8
Total, principal current programs.....	96.3	111.2	122.4

LABOR STATISTICS

Manpower and employment data.—Funds are requested for intensive surveys in 10 to 15 metropolitan areas of unemployment, labor force participation, alienation from the labor force, and the factors associated with the under-utilization of manpower in hard-core slum areas. It is expected that concentrating on problem areas will extend and illuminate information collected nationally by means of the Current Population Survey. This budget provides \$1 million for the Bureau of Labor Statistics, much of this amount to be transferred to the Bureau of the Census for costs of field enumeration. At the same time, more extensive analyses will be made of the national Current Population Survey sample results made possible by the expansion of the sample in January 1967, and the addition of questions tested in earlier years.

An amount of \$100,000 is proposed for the Economic Research Service to improve its estimates of the supply of and the requirements for farm labor in major production areas.

Manpower training.—A review of manpower training will be made as a basis for assessing the role which the Federal Government should play in training and retraining manpower. A large part of specific vocational training is now provided by employers, but there is little information on the amount and kind of such training. The \$500,000 requested for the Office of Manpower Policy, Evaluation, and Research would provide for surveys and research badly needed as a basis for developing sound policy.

Wages and industrial relations.—The Bureau of Labor Statistics now collects information on general wage changes in manufacturing industries but has only very limited coverage of nonmanufacturing industries. Funds are recommended, \$200,000, to inaugurate a semi-annual survey of general changes in wage rates and benefits in the nonmanufacturing sector. This information will round out the data

needed to relate the magnitude of wage changes to changes in productivity and prices and to study the problems of labor demand and supply among industries. An additional \$150,000 is included to strengthen the program of information on employee benefits, particularly pension plans. Based on available data and special surveys, research will be undertaken on provisions and financial aspects of pension plans, characteristics of employees covered, actual benefits paid as distinct from plan provisions and similar questions related to evaluating the protection afforded by private plans and the relationship between public and private systems.

Productivity and growth.—Work on measurement of productivity for the total economy and by industry will continue to expand principally by providing detail for more industries, and by increasing the frequency and promptness in the reporting of productivity changes. The Economic Growth Project has completed the first major stage of its research program with the preparation and publication of projections to 1970 of final demand, output, and employment integrated within an input-output framework. This work was done in the Labor Department in cooperation with other agencies, notably the Department of Commerce, Council of Economic Advisers, Bureau of the Budget, Agriculture, and Interior. Future work will be based in part on updating, by the Office of Business Economics, of the 1958 Input-Output table involving more industry detail and on exploring various facets of the sources of economic growth, studied only in part in the first phase of the growth project. The level of expenditures remains substantially the same for fiscal 1968.

DEMOGRAPHIC AND SOCIAL STATISTICS

Population statistics.—No additional funds are requested for the Census Bureau's current program of population statistics. Work will continue on exploring the use of administrative records to provide estimates of population and family incomes for small areas such as counties and standard metropolitan statistical areas for intercensal years. Principal emphasis on population statistics during 1968 will center on preparations for the 19th Decennial Census and a special large-scale sample survey; these are covered under Periodic Programs.

An increase of \$200,000 is proposed for the Economic Research Service in the Department of Agriculture to improve statistical information on the economic and social status of people in rural areas.

Health and Vital Statistics.—A program increase of \$600,000 is recommended for the 1968 budget of the National Center for Health Statistics.

The National Center would utilize this increase primarily in the area of vital statistics. The budget includes \$200,000 for preparations necessary to revise the present disease classification system in accordance with the World Health Organization's new International Classification of Disease, and for implementation of plans to provide more meaningful and useful data relating to mortality through coding multiple causes of death rather than only the primary cause.

The National Fertility Study would be initiated in 1968 to examine family planning and the economic problems of population growth and change. This study is planned as part of a continuing survey to be conducted on a 2-year cycle and will cost \$400,000.

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

Agency	1966 actual	1967 estimate	1968 estimate
CURRENT PROGRAMS			
Department of Agriculture:			
Economic Research Service: Statistical activities.....	3.4	3.7	4.1
Statistical Reporting Service.....	12.3	13.3	13.9
Department of Commerce:			
Bureau of the Census.....	15.7	16.4	17.1
Office of Business Economics.....	2.5	2.8	3.2
Department of Defense: Corps of Engineers: Domestic shipping statistics.....	1.1	1.1	1.1
Department of Health, Education, and Welfare:			
National Center for Educational Statistics.....	2.7	3.9	5.4
National Center for Health Statistics.....	6.9	8.2	9.8
Social Security Administration: Statistical and research activities.....	6.0	8.7	9.9
Welfare Administration: Statistical and research activities.....	1.7	1.9	2.4
Department of Housing and Urban Development: Statistical activities.....	.5	.4	.5
Department of the Interior: Bureau of Mines: Mineral statistics.....	2.7	2.9	2.8
Department of Labor:			
Bureau of Employment Security: Statistical activities.....	3.0	3.1	3.2
Bureau of Labor Statistics.....	20.0	20.6	23.1
Office of Manpower Policy, Evaluation, and Research: Statistical activities.....	4.0	4.0	4.5
Department of Transportation: National transportation statistics.....	.1	2.3	2.5
Treasury Department: Internal Revenue Service: Statistical reporting.....	4.5	6.1	6.8
Civil Aeronautics Board: Statistical and research activities.....	.6	.7	.7
Federal Home Loan Bank Board: Statistical activities.....	.7	.8	.9
Federal Trade Commission: Financial statistics.....	.4	.4	.4
Interstate Commerce Commission: Reports and statistics.....	1.1	1.2	1.2
National Science Foundation: Statistics and special analyses.....	3.7	4.4	4.6
Office of Economic Opportunity: Statistical and research activities.....	2.4	4.0	4.0
Securities and Exchange Commission: Operational and business statistics.....	.3	.4	.4
Total, current programs.....	96.3	111.2	122.4
PERIODIC PROGRAMS			
Department of Commerce: Bureau of the Census:			
1964 Census of Agriculture.....	5.1	1.8	-----
1967 economic censuses.....	.8	3.3	7.7
1967 Census of Governments.....	.2	1.3	1.1
1968 Sample Household Survey.....	-----	1.0	20.0
Preparation for 19th Decennial Census.....	2.2	2.8	7.7
Registration and voting statistics.....	1.2	-----	-----
Modernization of computing equipment.....	-----	1.9	4.0
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	-----
Total, periodic programs.....	11.2	13.7	40.5
Total, principal statistical programs.....	107.5	124.9	162.9

The National Center would also begin studying the possibility of the development of an index of health suitable for measuring the state of the Nation's health. Other projects include an analytical study of general mortality trends in Scandinavian countries; a study of infant mortality in the United States based on medical infant death and birth records; and an evaluation of the quality of information reported on death certificates.

Educational statistics.—Increases in the amount of \$1 million for data processing and \$400,000 for special statistical programs are recommended for the National Center for Educational Statistics. The increase for data processing is the direct result of further centralization and automation of management activities and of additional information requirements related to Federal Aid to Education programs, civil rights compliance, and evaluation studies of program effectiveness. Funds for special statistical programs are intended to cover: analyses of special Census data concerning education to be collected in April 1967; a broad statistical investigation of adult and vocational education programs; continued development of operations analyses to assist decisionmakers on educational problems; and the preparation of a number of new statistical publications.

Social security statistics.—In 1968, an increase of \$310,000 is recommended for support of the Social Security Administration's research and statistics program. This increase will be used primarily in the health insurance area for studies of the utilization of hospital and medical services and patterns of care of the aged before and after Medicare; and for a supplement to the 1966 Survey of Disabled Adults which will obtain needed information on the adequacy of old-age, survivors', and disability insurance benefits and the level of economic security for beneficiaries and nonbeneficiaries in nursing homes and other long-stay institutions.

In addition, planning is proceeding for a Retirement History Survey to examine over a period of time the changes in earnings, other income, assets, health, medical care, and living patterns of persons of retirement age and the factors related to these changes. The first phase of the field survey will take place in fiscal year 1968 and continue for a period of at least 10 years.

Welfare statistics.—Major studies by the Welfare Administration in 1968 will concern a benchmark medical care services study, as part of the program to evaluate the impact of the Medical Assistance program, and various cost-benefit and other analyses. Among the other areas to be covered are: work incentives, alternative means of caring for both children and adults now provided services under group care arrangements, and a review of the fiscal ability of States as related to the recommendations of the Advisory Council on Public Welfare.

The nationwide study of the Aid-to-Families-of-Dependent Children (AFDC) program and family living conditions will be completed and evaluated. Work will continue on the AFDC characteristics study.

The feasibility of a study of the social and economic characteristics of General Assistance recipients will be explored. Particular attention will continue to be given to implementation of the new statistical reporting system developed by the Bureau of Family Services, re-examination of the social service reporting system, and review of the

Children's Bureau reporting system in light of the information necessary for Program Planning and Budgeting activities.

The Quality Control System instituted by the Bureau of Family Services will be extended into new areas, and the Children's Bureau will review and evaluate its research grant programs. Efforts will continue to coordinate research in the field of social welfare manpower and to explore new ways to recruit, organize, and utilize social welfare personnel. The total recommended increase for the Welfare Administration is \$331,000.

Economic opportunity.—Basic research directed toward defining and analyzing the nature, causes, and cures for poverty will be maintained in 1968 at about the same level as in 1967. Major items for the Office of Economic Opportunity include funds for: a longitudinal study of persons located in previous surveys to determine the various factors that place these persons in poverty or lift them out of it; a study of hiring practices as they affect the poor; an examination of the relationship between the migratory patterns of the poor and ghetto formation and industry location; and development of methods for assessing the impact of antipoverty programs on youth through the use of control groups.

Rural poverty characteristics studies will be continued in conjunction with the Economic Research Service of the Department of Agriculture. Also, work will continue on the development of an event-type simulation model of a community action program.

PRICES AND PRICE INDEXES

Expanded programs in this area reflect the need for more adequate measures of price changes which have become increasingly significant during the past year. An increase of \$404,000 is requested for the Bureau of Labor Statistics to extend to 75 additional industries the work initiated in recent years for a series of wholesale price indexes on an industry sector basis, and to collect data representing transaction prices rather than list or quoted prices for some 40 major commodities. An increase of \$120,000 is included for developmental work and collection of data on prices of the more important commodities entering into foreign trade.

Additional funds (\$100,000) are requested to carry on work necessary to improve the accuracy of the Consumer Price Index (CPI), principally through the identification of changes in quality of commodities being priced and measuring their effect on prices.

This budget requests funds for planning and testing consumer expenditures surveys to be conducted at the end of the decade to provide the necessary weights for revision of the CPI by the Bureau of Labor Statistics and the indexes of prices paid by farmers by the Statistical Reporting Service.

An increase of about \$60,000 is requested for the Statistical Reporting Service, Department of Agriculture, for research on the effect on prices received by farmers brought about by shifts in the relationship between agricultural commodity producing and processing operations.

Funds are requested (\$160,000) for the Bureau of the Census to prepare and publish a construction price index for single-family houses. This is part of a general program to provide price indexes for various types of construction.

PRODUCTION AND DISTRIBUTION

The statistics program of the Department of Transportation, included in this analysis for the first time this year and calling for an increase of some \$250,000 over last year, has three main objectives in 1968: to take initial steps to improve data on commodity shipments, to start work toward getting more adequate information on passenger movements, and to explore ways of making more effective use of the capabilities of other agencies in the development of a variety of statistics relating to transportation.

An increase of \$193,000 is requested for the Bureau of the Census to provide monthly national indexes of the dollar and physical volume of total retail inventories of large consumer durables. An additional \$104,000 is requested to enable the Bureau to expand its data collection program in the limited number of standard metropolitan statistical areas for which retail sales data are published so that monthly estimates will be available of total retail sales, sales of nondurables, and sales by general merchandise, apparel, furniture, and appliance stores.

A transfer in the amount of \$51,000 is proposed from the Agricultural Stabilization and Conservation Service to the Statistical Reporting Service to finance the collection of grain inventory data.

Of the \$147,000 proposed increase for the Economic Research Service, \$100,000 is to provide data on the location and productive potential of agricultural land. The remaining \$47,000 is to be used for statistics on the flow of agricultural commodities from our principal foreign competitors to those countries which are our major markets.

CONSTRUCTION AND HOUSING STATISTICS

An increase of \$248,000 is recommended for this area in 1968. Provision is made for an increase of \$140,000 to permit the Department of Housing and Urban Development to finance, through the Bureau of the Census, a survey of the first occupants of new sales and rental housing. This is an extension of present surveys in order to determine the incomes and other characteristics of families who are occupying newly constructed housing.

Funds for the Bureau of the Census, in the amount of \$108,000, are recommended to enlarge the sample of building permit jurisdictions reporting monthly so that monthly construction figures can be published for 100 standard metropolitan statistical areas. This is a relatively small incremental cost to provide local data for so many areas since the primary collection cost is already borne by the regular sample needed for national data.

NATIONAL INCOME AND BUSINESS FINANCIAL ACCOUNTS

Economic accounts.—An increase of \$430,000 (of which \$372,000 is for new programs) is requested to finance the work of the Office of Business Economics. The new work provides for (1) beginning the preparation of estimates of real GNP by industry on a quarterly basis; (2) personal income by States on a quarterly basis; (3) strengthening the analysis of determinants of business investments; and (4) expanding work on estimating the total tangible capital stock of the United States.

PERIODIC PROGRAMS

Economic Censuses and Census of Governments.—Funds are recommended for conducting the regular periodic Economic Censuses during 1968. These censuses include the Censuses of Business, Transportation, Manufactures and Mineral Industries. The 1967 Census of Business will, for the first time, obtain data on construction, a major segment of the economy not previously included in census coverage. Provision is also made for taking the 1967 Census of Governments.

1968 Sample Household Survey.—The 1968 budget recommends funds (\$20 million) for the Bureau of the Census for a large-scale sample survey to be conducted in 1968 covering about 3 million households. This survey is to provide current information in depth in order to determine conditions and needs, allocate resources for greatest impact, take the most effective types of actions, and permit the measurement of progress toward goals. Information will be provided for all 228 standard metropolitan statistical areas, with the central cities separately; for concentrated poverty areas within the 108 larger metropolitan areas of 250,000 or more population; urban, rural nonfarm and farm areas outside of metropolitan areas in each State; totals for all States and for the Nation as a whole.

The survey is designed for general use but will concentrate on problems of welfare and poverty. It will be keyed to the 1970 Census so that movement of groups out of poverty can be measured, as well as their personal circumstances and the governmental programs associated with such movements.

Preparation for 19th Decennial Census.—An increase is proposed in funds necessary to prepare for the 19th Decennial Census. During 1968 the Bureau of the Census will continue to establish the basis for collecting population and housing data, primarily by mail. A part of the work involves the development and testing of operating procedures, taking a "dress rehearsal" census, establishing a master list of addresses, and preparing a computer-based geographic coding system. Work will also continue on exploration and solution of problems expected to be encountered in hard-to-enumerate areas and on questionnaire design under conditions of self-enumeration. Field testing of new questions is required and further work is necessary on the development of statistical measures relating to housing condition.

Computers.—Amounts recommended for the purchase of computers and related costs for statistical activities included in this analysis are shown under periodic programs. These amounts represent capital expenditures and for analytical purposes should not be charged to the current statistical program although the equipment is of course used to process current as well as periodic statistics. Rental and operating costs of computers are allocated to the particular program involved.

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, the Government acquires foreign currencies without spending 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 primarily dealing 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. Sales of commodities for foreign currency will be phased out over the next few years. 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. They must be used on a loan or grant basis for mutually beneficial purposes in the country and are therefore called "country-use" currencies. Currencies 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.

It is useful for both administrative and 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 1967, the excess currency countries are: Burma, Ceylon, Congo (Kinshasa), Guinea, India, Israel, Pakistan, Poland, Tunisia, United Arab Republic (Egypt), and Yugoslavia. They are expected to remain excess-currency countries in 1968.

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, regular appropriations may also be used for payments in excess foreign currencies, and agencies are encouraged to substitute the use of such currencies for dollars.

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. It is not appropriate, however, to seek additional uses for such currencies, and they are not available for use under the special appropriations. The "near-excess" countries currently are: Bolivia, Brazil, Indonesia, Morocco, Paraguay, Sudan, Syria, and Turkey. No designation of anticipated "near-excess" countries for 1968 has been made, and the list is likely to change.

Total availabilities of foreign currencies owned by or in the custody of the United States are as follows:

Table L-1. CASH AVAILABILITY OF FOREIGN CURRENCIES

(In millions of dollar equivalents)

	1966 actual	1967 estimate	1968 estimate
Currencies owned by the United States:			
For U.S. uses:			
Excess currencies.....	1,624	1,567	1,835
Nonexcess currencies.....	392	439	440
Subtotal, for U.S. uses.....	2,017	2,006	2,275
For country uses.....	2,202	1,881	2,049
Amounts unfunded in Treasury accounts.....	-9	-54	-67
Total.....	4,210	3,835	4,257
Currencies held in trust.....	84	97	97

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 \$500 million will be in nonexcess currencies. We must, therefore, purchase over \$1.7 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, generally, 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 CURRENCIES AVAILABLE TO MEET U.S. REQUIREMENTS, 1968 (in millions of dollar equivalents)

Country	Supply	Requirements (expenditures)		Amounts available for use after 1968	Requirements for commercial purchase in 1968
		Other than special programs	Special programs		
Excess currencies:					
Burma.....	15	1	1	13	
Ceylon.....	5	1	1	4	
Congo (Kinshasa).....	4		1	3	
Guinea.....	10	1	*	9	
India.....	841	3	29	810	
Israel.....	44	8	12	24	
Pakistan.....	178	7	6	165	
Poland.....	475	2	7	466	
Tunisia.....	14	1	1	11	
United Arab Republic (Egypt).....	160	2	6	153	
Yugoslavia.....	89	8	8	73	
Total, excess currencies.....	1,835	33	71	1,731	
Nonexcess currencies:					
Bolivia ¹	7	9			2
Brazil ¹	39	44	*		5
Canada.....	7	62			55
France.....	7	142	*		135
Germany, Federal Republic of.....	19	411	*		392
Indonesia ¹	23	*	*	23	
Italy.....	8	72	*		65
Japan.....	37	232	*	23	218
Korea.....	11	44	*		33
Morocco ¹	23	6		17	
Paraguay ¹	23	3		20	
Philippines.....	2	95	*		93
Spain.....	7	43	*		36
Sudan ¹	2	1		*	
Syria ¹	1	1	*	*	
Thailand.....	5	85			80
Turkey ¹	33	50	*		17
United Kingdom.....	4	81	1		78
Vietnam.....	18	402			384
Other countries.....	165	291	1	12	140
Total, nonexcess currencies.....	440	2,074	3	96	1,733
Total.....	2,275	2,107	74	1,826	1,733

* Less than \$500 thousand.

¹ Currently designated as "near-excess" currency countries, but this designation may not be effective in 1968.

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)

	1966 actual	1967 estimate	1968 estimate
Cash balances brought forward:			
Excess currencies	1,345	1,221	1,464
Nonexcess currencies	91	61	66
Subtotal, cash balances brought forward	1,436	1,282	1,530
Collections:			
Public Law 480 sales	158	199	184
Foreign assistance programs (including special letters of credit) ..	116	144	143
Interest on public deposits	26	25	25
Other nonloan collections	55	79	81
Loan repayments (principal and interest):			
Public Law 480 loans	110	134	163
Foreign assistance loans (including Development Loan Fund)	142	152	160
Subtotal, collections	608	733	757
Net transfer to country use	-27	-10	-11
Total availabilities	2,017	2,006	2,275
Expenditures (deduct):			
Foreign currency expenditure authorizations	13	14	8
With dollar credits to—			
Foreign assistance programs (special letters of credit)	113	140	140
Miscellaneous receipts of the general fund	136	141	142
Commodity Credit Corporation, Agriculture	133	140	117
Other	15	41	42
Deposits for replacement currencies	-3		
Subtotal, expenditures ¹	409	476	450
Adjustments due to changes in exchange rates	-325		
Cash balances carried forward	1,282	1,530	1,826

¹ Excludes sales of country-use currencies, subject to later replacement, as follows: 1966, \$4.2 million; 1967, \$15 million; and 1968, \$5 million.

Recommendations for special foreign currency program appropriations 1968.—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)**

	1966 enacted	1967 estimate	1968 estimate
Library of Congress: Collection and distribution of library materials.....	1,694	2,088	2,584
Department of Agriculture: Agricultural Research Service: Salaries and expenses.....	3,000	4,500	15,400
Department of Commerce:			
International activities: Salaries and expenses.....	200	200	200
Environmental Science Services Administration: Research and development.....	500	500	750
National Bureau of Standards: Research and technical services.....	500	500	500
Department of Defense: Special foreign currency program.....		7,348	16,000
Department of Health, Education, and Welfare:			
Office of Education: Educational research and training.....	1,000	1,000	4,600
Office of Vocational Rehabilitation: Research and training.....	2,000	3,000	5,000
Public Health Service: Scientific activities overseas.....	5,000	10,000	18,685
Welfare Administration: Research and training.....	1,200	1,500	1,500
Department of the Interior: Bureau of Commercial Fisheries: Management and investigations of resources.....	300	500	100
Department of Labor: Bureau of International Labor Affairs: Special foreign currency program.....		75	75
Department of State: Acquisition, operation, and maintenance of buildings abroad.....	6,500	6,250	5,025
Smithsonian Institution: Museum programs and related research.....	1,300	2,316	6,100
United States Information Agency:			
Salaries and expenses.....	11,112	10,941	10,158
Special international exhibitions.....	154	350	387
Total.....	34,460	51,068	87,064

Foreign currency expenditure authorizations.—The 1967 Foreign Assistance and Related Agencies Appropriation Act authorized the expenditure of \$1 million in excess currencies for assistance to American schools and hospitals abroad. In addition, excess currencies are made available under permanent authorizations for purchase of goods and services in Nepal and for emergency relief assistance in Pakistan. Some unexpended balances of prior foreign currency expenditure authorizations remain for Defense family housing. Table L-5 summarizes all transactions under foreign currency authorizations for U.S. uses which do not require charges to dollar appropriations.

Table L-5. SUMMARY OF FOREIGN CURRENCY AUTHORIZATIONS FOR U.S. USES (in thousands of dollar equivalents)

	1966 actual	1967 estimate	1968 estimate
New authorizations to spend foreign currency receipts:			
Funds appropriated to the President:			
Emergency relief.....	1,991	3,009	-----
Assistance to third countries.....	18,901	6,600	6,800
American schools and hospitals abroad.....	-----	1,000	-----
Department of State.....	858	-----	-----
Total authorizations.....	21,750	10,609	6,800
Expenditures:			
Funds appropriated to the President:			
Emergency relief.....	625	1,356	936
Assistance to third countries.....	8,809	12,080	7,248
Department of Defense.....	3,125	316	316
Department of State.....	635	-----	-----
Total expenditures.....	13,194	13,752	8,500

Country uses.—A far larger amount of foreign currency is used outside of the appropriations process, as summarized in table L-6, for loans and grants in the host country for common defense and economic development.

Table L-6. SUMMARY OF FOREIGN CURRENCY TRANSACTIONS—COUNTRY USES (in millions of dollar equivalents)

	1966 actual	1967 estimate	1968 estimate
Balances brought forward.....	1,384	1,008	1,197
Collections:			
Public Law 480 sales.....	789	857	833
Foreign assistance program.....	2	6	8
Subtotal, collections.....	791	864	841
Net transfer from U.S. uses.....	27	8	11
Total availabilities.....	2,202	1,881	2,049
Expenditures (deduct):			
Public Law 480 country loans and grants.....	736	641	568
Public Law 480 loans to private enterprise.....	37	36	36
Other foreign assistance programs.....	12	8	10
Subtotal, expenditures.....	786	684	614
Adjustments due to changes in exchange rates.....	-409	-----	-----
Balances carried forward.....	1,008	1,197	1,436

Trust funds.—As a result of international agreements the United States receives and spends foreign currencies for the benefit of the other country. These currencies are held in trust funds by the Treasury. Table L-7 summarizes foreign currency trust fund activity.

Table L-7. SUMMARY OF FOREIGN CURRENCY TRUST FUNDS
(in millions of dollar equivalents)

	1966 actual	1967 estimate	1968 estimate
Balances brought forward.....	21	33	29
New authorizations to spend foreign currency—permanent: Advances from foreign governments.....	63	64	68
Total availabilities.....	84	97	97
Expenditures (deduct): Advances from foreign governments.....	49	68	71
Adjustments due to changes in exchange rates.....	-2		
Balances carried forward.....	33	29	27

Loans.—As a result of various loan programs, the United States has outstanding loans of over \$5 billion equivalent repayable in foreign currency. Over \$3 billion of this is in excess currencies. The loan repayments and interest are available for U.S. uses. The outstanding balances are distributed as follows (in millions of dollar equivalents):

Excess currency countries:		Nonexcess currency countries:	
Burma.....	35	Brazil.....	103
Ceylon.....	15	China (Taiwan).....	188
Congo (Kinshasa).....	10	Greece.....	123
India.....	1,392	Japan.....	102
Israel.....	261	Morocco.....	195
Pakistan.....	506	Spain.....	229
Tunisia.....	51	Turkey.....	379
United Arab Republic (Egypt).....	368	Other.....	747
Yugoslavia.....	393		
Total.....	3,031	Total.....	2,066
Grand total.....			5,097

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. Twice each year they prepare statistical estimates of their transactions. The Bureau of the Budget reviews these estimates to determine whether all possible actions are being taken to reduce payments and increase receipts.

Since this system is used primarily as a management tool, forward estimates are not confined to projections of 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 1966-68 based on estimates made in September 1966, revised where necessary for comparability with the 1968 budget.

MAJOR TRENDS

On the basis of current estimates, net Federal payments abroad, excluding special transactions, will increase by \$500 million between 1966 and 1967 and then decrease by \$335 million in 1968 (see table M-1).

Gross Federal payments abroad are expected to increase from \$5.1 billion in 1966 to \$5.9 billion in 1967 and to remain at that level in 1968. The increase in expenditures is entirely for (1) defense purposes, (2) interest on the public debt held abroad, and (3) payments to international institutions to carry out prior commitments.

Gross receipts, excluding special transactions (such as prepayments on loans, sales of loans, negotiated sales of special securities, and advances received on military sales) are expected to rise from the 1966 level of about \$2.3 billion to \$3.0 billion in 1968.

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

	1966 estimate	1967 estimate	1968 estimate
Payments.....	5,052	5,922	5,947
Receipts ¹	2,276	2,646	3,006
Excess of payments.....	2,776	3,276	2,941

¹ 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	1966 estimate	1967 estimate	1968 estimate
Payments:			
Department of Defense.....	3,189	3,974	4,019
Treasury Department.....	626	746	775
Agency for International Development.....	503	378	319
Department of State.....	247	256	262
Department of Health, Education, and Welfare.....	160	166	174
Veterans Administration.....	69	78	85
Atomic Energy Commission.....	56	28	9
Other.....	244	311	309
Subtotal.....	5,094	5,937	5,952
Deduct: Unfunding of previously reserved foreign currency accounts.....	42	15	5
Total ¹	5,052	5,922	5,947
Receipts:			
Department of Defense.....	1,095	1,256	1,335
Export-Import Bank.....	493	630	1,028
Department of Agriculture.....	262	294	327
Agency for International Development.....	183	203	212
Treasury Department.....	181	292	224
Panama Canal.....	73	78	81
Other.....	113	88	91
Subtotal.....	2,400	2,841	3,298
Deduct: Transactions reported by more than one agency.....	124	195	292
Total ¹	2,276	2,646	3,006
Receipts from special transactions (not included in receipts above):			
Advances received on military exports, net.....	57	301	-126
Sales of medium-term, nonmarketable securities, net.....	-106	-13	-50
Prepayments and sales of loans.....	205	425	47
Total, special transactions ¹	156	713	-129

¹ Excludes payments and receipts in excess and near-excess foreign currencies.

Payments.—Estimated increases of \$830 million by the Department of Defense and \$149 million by the Treasury Department dominate the prospective trend in payments during 1966-68.

The Defense increase is largely the result of increased activities in Southeast Asia. The Department will continue its efforts to limit its expenditures abroad while maintaining all necessary combat capabilities in 1967 and 1968.

The Treasury Department makes substantial payments not readily subject to administrative controls. These include especially (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 disbursement requirements of these institutions make it necessary to convert their U.S. Government notes and letters of credit into cash.) Increased payments to the International Development Association in 1967 and to the Inter-American Development Bank and to foreign holders of U.S. debt in 1967 and 1968 account for the increases during the 2-year period.

Payments abroad by the Agency for International Development will continue to decline, largely because of 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, the general policy of AID is to prohibit the use of foreign economic assistance funds to purchase any goods abroad. In 1968, AID will purchase more than 97% of its commodity requirements in the United States.

Overseas payments by the Department of State will be somewhat higher in both 1967 and 1968 primarily because of increased U.S. contributions to international organizations.

Overseas payments by the Department of Health, Education, and Welfare and the Veterans Administration will also increase between 1966 and 1968. Annuities, pensions, and other transfer payments not readily subject to administrative controls account for about 84% of the HEW payments. The VA payments abroad are mostly for compensation and pensions; the expanded veterans programs in the Philippines provided by recently enacted legislation are responsible for most of the rise.

Payments by the Atomic Energy Commission will continue to decline sharply because of scheduled decreases in the procurement of uranium concentrates from foreign countries. The United States expects to terminate its procurement of foreign uranium in 1967.

Receipts.—The increase of \$730 million estimated in receipts over the 1966–68 period arises largely from larger loan and interest payments to the Export-Import Bank and higher Department of Defense sales of military equipment to friendly governments.

Special transactions—which are not included in the totals just discussed—will provide large additional receipts in 1966–67, especially in 1967. Such transactions involve advances or loans which 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) sales of loans, and (4) repayment of loans before they are due.

The large bulge in these receipts in 1967 is due to loan prepayments by France and Germany and to timing of German payments under the current offset agreement. Military exports that had been paid for in prior years and net redemptions of medium-term, nonmarketable securities account for the excess of payments over receipts in 1968 from such transactions.

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 by \$285 million from 1966 to 1968 in contrast to a \$121 million increase

in payments. All other receipts from overseas are expected to rise by \$445 million during the same period, while payments will rise even more—by \$773 million.

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

	1966 estimate	1967 estimate	1968 estimate
Payments:			
Western Europe (including international organizations located there).....	2,040	2,232	2,161
Other countries.....	2,648	3,196	3,265
Other international and undistributed.....	364	494	520
Total.....	5,052	5,922	5,947
Receipts:¹			
Western Europe (including international organizations located there).....	1,117	1,451	1,402
Other countries.....	1,150	1,187	1,596
Other international and undistributed.....	9	8	8
Total.....	2,276	2,646	3,006

¹ Excluding special transactions.

Payments by type of transaction.—Between 1966 and 1968, 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 investments in international organizations. 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	1966 estimate	1967 estimate	1968 estimate
U.S. payroll—amount estimated to be spent abroad.....	1,151	1,326	1,385
Goods and services purchased abroad for use abroad ¹	2,392	3,009	3,006
Other purchases of goods and services.....	161	175	139
Grants (amounts for use abroad) ²	592	496	469
Pensions and similar transfer payments.....	293	322	334
Loans and investments (amounts for use abroad) ²	147	289	231
Other.....	528	491	572
Subtotal.....	5,264	6,108	6,136
Deduct:			
Payments in excess and near-excess foreign currencies ³	170	171	184
Unfunding of previously reserved foreign currency accounts...	42	15	5
Total, payments affecting the balance of payments.....	5,052	5,922	5,947

¹ Includes Defense procurement, including military assistance.

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

³ 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 fund 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, 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 has made contributions to international organizations in the form of non-interest-bearing notes. These notes were 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 both as a means of esti-

mating and as a management tool for decreasing the balance-of-payments impact of Federal Government programs.

Because the two compilations are intended to serve different purposes, the published presentations are very different from one another. The basic difference arises from the fact that the balance-of-payments statistics are comprehensive records of the United States private and Government international transactions, real and financial, while the data in this analysis are a record of the financial payments and receipts attributed to the Government. The figures in this special analysis of Federal overseas transactions, therefore, cannot be directly derived from the published balance-of-payments statistics. The major differences between the two sets of data are:

1. *Classification.*—This analysis uses classifications by agency and by types of expenditures which are quite different from the broad functional classifications used for the balance-of-payments statistics. For example, certain contributions to international organizations are treated as grants in this analysis, but are treated as purchases of services in the balance-of-payments statistics.

2. *Attribution.*—Foreign transactions conducted by private businesses, in which the Federal Government is involved, are generally treated as private in the balance-of-payments statistics.¹ In order to emphasize management decisions, however, this analysis attributes some such transactions to the Federal Government. For example, sales of military goods to foreign governments made directly by private companies are encouraged and sponsored by the Department of Defense. In the balance-of-payments, such sales are reported as private receipts from exports. However, for the purpose of measuring the Department of Defense impact on international transactions, some of them are included as Government receipts in this analysis.

3. *Other.*—Some Government transactions, such as merchandise exports and imports, are separately identified in this analysis but are combined with similar private transactions in the balance-of-payments statistics. Further differences between the two sets of data are in the timing of certain transactions, the reporting of foreign currencies, and the coverage of transactions which are considered "foreign."

The balance-of-payments statistics do not include separate identifiable categories for all types of Federal receipts and payments. Table M-5 shows the principal differences between the 1966 estimates in this analysis and the total Government transactions (including some transactions not separately identified) in the balance-of-payments data. A more detailed reconciliation is available upon request.

¹ Foreign expenditures of U.S. private firms operating under contract with the Department of Defense are included as Government transactions in the balance-of-payments statistics.

Table M-5. GOVERNMENT PAYMENTS AND RECEIPTS—RECONCILIATION BETWEEN THE BALANCE-OF-PAYMENTS STATISTICS¹ AND ESTIMATES OF INTERNATIONAL TRANSACTIONS IN THIS ANALYSIS (in millions of dollars)

Description	1966
Payments, in table M-2.....	5,052
Add:	
Foreign currency payments involving no direct dollar outflow.....	212
Subtotal, in table M-4.....	5,264
Add:	
Grants and loans involving no direct dollar outflow.....	3,752
Other (net).....	152
Total: Payments in balance-of-payments statistics.....	9,168
Receipts, in table M-2:	
Regular transactions.....	2,276
Special transactions.....	156
Total.....	2,432
Add:	
Transactions under grant and loan programs involving no direct dollar inflow (imputed receipts).....	246
Excess and near-excess foreign currency receipts involving no direct dollar inflow.....	379
Other (net).....	26
Deduct:	
Commercial exports arranged by the Departments of Defense and Agriculture.....	479
Total: Receipts in balance-of-payments statistics.....	2,604

¹ U.S. Department of Commerce, "Survey of Current Business," December 1966, pp. 16-33.

INDEX

A

- Administrative budget:
 - Expenditures:
 - Applicable receipts, text and table B-7, 21-22
 - By function, summary, table A-2, 7
 - Investment, operating and other, table D-2, 39-52
 - Explanation of, 5-7
 - Receipts, by source, summary, table A-2, 7
 - Receipts, exclusions, text and table B-8, 22-23
 - Relation of, to consolidated cash statement and national income accounts, 1966-68, text and table A-1, 6, 8-10
- Agriculture, Department of, research and development expenditures analysis, 134-135
- Aid to State and local governments:
 - Analysis, 145-161
 - Expenditures:
 - By agency, text and table J-5, 152
 - In relation to total Federal expenditures and by agency, text and table J-7, 153-154
 - Summary, text and table J-10, 156-161
 - Loans and repayable advances, by program and by agency, text and table J-7, 153-154
 - Number of authorizations in effect, by functional category, at specified dates, text and table J-4, 150
 - Payments in urban areas, by program, text and table J-8, 154-156
 - Percentage distribution, by function, 1950-68, text and table J-1, 147
 - Percentage distribution of Federal, State, and local direct spending for domestic programs, text and table J-3, 148-149
 - Regional distribution, fiscal year 1965, text and table J-5, 156-157
 - Types of Federal aid, by function, text and table J-6, 153
 - Annexed budgets, expenditures and applicable receipts, text and table B-7, 21-22
- Atmospheric sciences research and development, obligations of agencies by functional area, text and table I-8, 136-137
- Atomic Energy Commission, research and development expenditures, text and table I-7, 132-133

B

- Balance of payments, analysis, 177
- Balance of payments statistics and agency estimates of international transactions, reconciliation, text and table M-5, 181-183
- Balances, public enterprise funds, table B-3, 18

- Balances, trust fund, June 30, table B-6, 20
- Borrowing by Government enterprise funds, text and table B-10, 24-25
- Budget, U.S., types of accounts, explanation of, 5-13

C

- Census, 19th Decennial, 169
- Commerce, Department of, research and development expenditures, 135
- Compensation, Federal personnel, text and table C-3, 31-32
- Consolidated cash statement:
 - Derivation of totals, table A-3, 8
 - Explanation of, 7-10
 - Intragovernmental transactions excluded from, table A-4, 9
 - Relation of, to administrative budget and national income accounts, 1966-68, table A-1 and text, 6, 8-11
- Construction by cooperative and nonprofit groups, Federal expenditures for, text and table F-7, 79-80
- Credit programs, Federal:
 - Analysis, 57-70
 - Disbursements and repayments, by agency or program, text and table E-3, 62-64
 - Interest rates and maturities, by agency or program, December 1966, text and table E-5, 65-67
 - Loans outstanding, by agency or program, text and table E-2, 60-62
 - Loans outstanding, major quasi-public programs, by agency and program, text and table E-6, 67-68
 - New commitments, by agency or program, text and table E-1, 59-60
 - New legislative authorization, 68-70
 - Private participation in, text and table E-4, 64-65
 - Sales of loans, direct and participation, by agency or program, text and table E-4, 64-65

D

- Debt issuances, by Government enterprises, text and table B-10, 24-25
- Debt issuances in lieu of checks, 9
- Defense, Department of--Military, research and development, obligations and expenditures for, 1966-68, text and table I-5, 129-130
- Defense, national, public works, NOA and expenditures, by major function and agency, table F-8, 86
- Demographic statistics programs, 164-167

Disbursements, major credit programs, by agency or program, text and table E-3, 62-64

E

Economic opportunity statistics, 167

Education statistics, 166

Education and training programs:

Aid to students, graduate and professional, by agency and type of aid, text and table G-3, 97-98

Analysis, 87-109

Expenditures and NOA:

By agency, text and table G-1, 91-94

By category or type of aid, text and table G-2, 94-95

By functional category and by agency, text and table G-4, 96-97, 101-109

Related programs, discussion, 100

Employment, Federal civilian:

Analysis, 17-34

By geographical location, as of June 1966, text and table C-2, 30

Comparison of current estimates for 1967 with estimates in 1967 budget, text and table, 27-29

Compensation and benefits, text and table C-3, 31-32

In relation to population and other Government employment, 1942-68, table C-4, 33-34

Summary, full-time permanent, as of June 1966-68, table C-1, 28

Trends in workload and numbers, 32-33

Expenditures:

Annexed budgets, text and table B-7, 21-22

Construction by cooperative and nonprofit groups, text and table F-7, 79-80

Gross:

Analysis, 23-26

Government-administered funds, text and table B-9, 23-24

Public enterprise funds, by agency, table B-1, 14-15

Trust revolving funds, table B-5, 20

Investment, operating, and other, analysis, 35-56

Investment, operating, and other, summary, table D-1, 36

National income accounts, by category, table A-5, 11

Relation of, in administrative budget, consolidated cash statement, and Federal sector of national income accounts, 1966-68, table A-1, 6

Summary, by functions, table A-2, 7

F

Federal aid programs, *see under* Aid

Federal financial transactions, three measures of, 5-13

Foreign currencies:

Availabilities and uses, analysis, 170-176

Available to meet U.S. requirements, text and table L-2, 171-172

Cash availability of, 1966-68, table L-1, 171

Foreign currencies—Continued

Special program appropriations—NOA, text and table L-4, 173-174

Summary of authorizations, U.S. uses, text and table L-5, 174-175

Summary of transactions, country uses, text and table L-6, 175

Summary of transactions, U.S. uses, 1966-68, text and table L-3, 172

Trust funds, summary, text and table L-7, 176

G

Government-administered funds, gross expenditures of, text and table B-9, 23-24

Government-administered funds, purchases of U.S. securities, text and table B-11, 25-26

Government civilian employment, Federal, State and local, in relation to population, 1942-68, text and table C-4, 33-34

Government enterprises, borrowing by, text and table B-10, 24-25

Grants and loans, public works, expenditures and NOA, by agency, text and table F-3, 73

H

Health, Education, and Welfare, Department of, research and development analysis, 133-134

Health and related programs:

Analysis, 110-122

Expenditures:

By agency, text and table H-1, 113-114

By category, text and table H-2, 115-117

By functional program and by agency, table H-5, 120-122

Health care, by agency and by population age group, text and table H-4, 117-119

Research, by agency, text and table I-9, 137-138

Statistics, 164, 166

Hospitals, Federal, operating beds and patient loads, by agency, table H-3, 117

Housing statistics, 168

I

Interest payments, table D-2, 52

Interest rates and maturities, major credit programs, by agency or program, December 1966, text and table E-5, 65-67

International transactions:

Analysis, 177-183

By major agency, table M-2, 178

Distributed by geographic areas, text and table M-3, 179-180

Federal payments abroad, by type of transaction, table M-4, 180

Reconciliation of estimates of, with balance of payments statistics, text and table M-5, 181-183

Relation to the Budget, 181

Summary, text and table M-1, 177

Interior, Department of, the, research and development expenditures, analysis, 135

Intragovernmental funds, reimbursement from non-Federal sources, text and table B-8, 22-23

Intragovernmental transactions excluded from consolidated cash statement, table A-4, 9

Investment, operating, and other expenditures: Analysis, 35-56

By kind, agency, and program, table D-2, 39-56

Summary, table D-1, 36

Investment in U.S. securities, Government administered funds, text and table B-11, 25-26

L

Labor statistics programs, 163-164

Legislation proposed, 119

Loans, *see also* Credit programs

Loans and repayable advances to State and local governments, by program and by agency, text and table J-7, 153-154

M

Marine science and technology, program plan, by agency, text and table I-11, 140

Marine science and technology, research and development expenditures, text and table I-10, 138-140

Mixed-ownership credit programs, loans outstanding, text and table E-6, 67-68

N

National Aeronautics and Space Administration, research and development expenditures, text and table I-6, 130-132

National defense, public works, 79

National economic accounts, 168

National income accounts, Federal sector:

Explanation of, 10-13

Receipts and expenditures, table A-5, 11

Relation of, to administrative budget and consolidated cash statement, 1966-68, table A-1 and text, 6, 10-11

National Science Foundation, basic research expenditures, analysis, 134

New obligatory authority:

Public enterprise funds, by agency, table B-2, 17

Public works, by major function and agency, table F-8, 80-86

Space programs, by agency, table I-12, 140-141

Special foreign currency programs, table L-4, 174

P

Participation sales fund, table D-2, 52

Participation sales of loans, major Federal credit programs, text and table E-4, 64-65

Payments, Federal:

Abroad, by type of transaction, table M-4, 180

International transactions, by agency, text and table M-2, 178-179

International transactions, by geographic area, table M-3, 180

Payments to the public, consolidated cash totals, table A-3, 8

Personnel, Federal, compensation and benefits, text and table C-3, 31-32

Personnel, Federal, total, text and table, 29

Population statistics, 164

Poverty program statistics, 167

Price indexes, 167

Public enterprise funds:

Analysis of, 14-26

Balances, table B-3, 18

Gross expenditures and applicable receipts, by agency, text and table B-1, 14-15

NOA and writeoffs, by agency, table B-2, 17

Public works:

Analysis, 71-86

Civil, direct, estimated cost, 1968, for continuing and new work, text and table F-4, 74-75

Civil, expenditures and NOA, by major function and agency, table F-8, 80-86

Construction by cooperative and nonprofit groups, expenditures for, text and table F-7, 79-80

Defense, NOA and expenditures, by major function and agency, table F-8, 86

Direct expenditures and NOA, by agency, text and table F-2, 72

Expenditures, 1959-68, text and table F-1, 71

Grants and loans, expenditures and NOA, by agency, text and table F-3, 73

National defense, 79

Reserve of authorized projects and programs for undertaking after 1968, by agency, text and table F-5, 76

Water resources and related developments, expenditures for, text and table F-6, 77-78

Purchases of U.S. securities by Government administered funds, text and table B-11, 25-26

R

Receipts:

Annexed budgets, text and table B-7, 21-22

International transactions, by geographic area, table M-3, 180

International transactions, by major agency, table M-2, 178

National income accounts, Federal sector, by source, table A-5, 11

Public enterprise funds, by agency, text and table B-1, 14-15

Relation of, in administrative budget, consolidated cash statement, and Federal sector, national income accounts, table A-1, 6

Summary, by source, table A-2, 7

Receipts from the public, consolidated cash totals, table A-3, 8

Reimbursements from non-Federal sources credited to appropriations and intragovernmental funds, table B-8, 22-23

Repayments, by agency or program, text and table E-3, 62-64

Research, basic, obligations and expenditures for, by agency, text and table I-3, 127

Research, medical and health-related, expenditures for, text and table I-9, 137-138

Research and development:
 Analysis, 123-144

Atmospheric sciences, obligations of agencies by functional area, text and table I-8, 136-137

Atomic Energy Commission, text and table I-7, 132-133

Defense, Department of—Military, text and table I-5, 129-130

Expenditures, by agency, 1954-68, table I-14, 143

Expenditures, by agency, 1966-68, table I-15, 144

Facilities for, obligations and expenditures, by agency, text and table I-4, 128

Marine sciences and technology, text and tables I-10, I-11, 138-140

Medical and health-related, text and table I-9, 137-138

National Aeronautics and Space Administration, text and table I-6, 130-132

Obligations and expenditures, by agency, text and tables I-1, I-2, 125-127

Space programs, NOA and expenditures, by agency, text and table, I-12, 140-141

Water research and survey, obligations for, by agency, text and table I-13, 141-142

S

Sample Household Survey, 1968, 169

Science information activities, 142

Securities, U.S., purchases, of by Government-administered funds, table B-11, 25-26

Social statistics programs, 164-167

Space programs, NOA and expenditures, by agency, table I-12, 140-141

State and local governments, aid to, *see under* Aid

Statistical programs:

Analysis, 162-169

Obligations for, by broad subject areas, text and table K-1, 162-163

Obligations for, current and periodic, by agency, table K-2, 165

Student aid programs, 1956-67, table, 99

T

Teacher training, aid for, 1956-67, table, 99

Training, *see* Education and training

Transportation, Department of, research and development, 135-136

Trust funds:
 Analysis, 19-21

Balances, June 30, table B-6, 20

Expenditures:
 Aid to State and local governments, by type, function, agency and program, table J-10, 156-161

By function, summary, table A-2, 7

By fund, table B-4, 19

Investment, operating, and other, table D-2, 53-56

Foreign currency, summary, text and table L-7, 176

Receipts, by fund, table B-4, 19

Receipts, by source, summary, table A-2, 7

Revolving, expenditures and applicable receipts, table B-5, 20

U

Urban areas, Federal aid payments in, by program, text and table J-8, 154-156

V

Vocational education, 1956-67, table, 99

W

Wage statistics, 163-164

Water research, obligations, by agencies, text and table I-13, 141-142

Water resources development, expenditures for, text and table F-6, 77-78

Welfare statistics, 166-167



