



SPECIAL ANALYSES

BUDGET OF THE UNITED STATES

FISCAL YEAR 1971

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FOREWORD

This volume of *Special Analyses* contains facts and figures on various features of the recommendations transmitted by the President in *The Budget of the United States Government, 1971*. The purpose of this volume is to present special analytical information about significant aspects of Government activities. This complements the detailed financial and program information which is contained in the *Budget Appendix*.

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

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

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

Part 4 presents the budgets of a number of the larger agencies in terms of the program categories used for program planning and evaluation in each agency.

GENERAL NOTES

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

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PART 1

ECONOMIC AND FINANCIAL
ANALYSES

INTRODUCTION

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

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

Special Analysis B classifies budget information by the groups of funds (Federal and trust) which comprise the budget. It also presents aggregate data on the *gross* receipts and outlays of all funds.

Special Analysis C summarizes current developments and trends in borrowing and in investments in U.S. Government securities made by the Treasury Department and other Federal agencies. It includes information on the potential impact of Government and Government-sponsored programs on the capital market.

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

Special Analysis E covers Federal credit aids—direct loans and insurance or guarantee of private loans. It includes all transactions in the loan account, and also the credit transactions which are in the expenditure account.

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

Special Analysis G analyzes the unobligated and obligated balances of budget authority for Federal and trust funds carried forward at the end of each fiscal year.

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

SPECIAL ANALYSIS A

FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS

The budget is designed to serve many purposes:

- To serve the broadest national objectives, it proposes an *allocation of resources* between the private and public sectors, and within the public sector;
- It is an *economic document* that embodies the taxing and spending policies of the Government for promoting growth of the national economy, high employment, price stability, and strengthening of the Nation's balance-of-payments position;
- It sets forth the *President's requests to Congress* for appropriation action on existing or new programs, and changes in tax legislation; and
- It is a *report to the Congress and the people* on how the Government has spent the funds entrusted to it in past years.

No single budget concept can completely satisfy all purposes. The budget document and related Treasury reports are designed to provide complete, detailed information on the finances of the Federal Government. For those concerned with aggregate economic activity in the country, however, the national income accounts (NIA) of the United States are the most widely used measures—and interest is focused heavily on the Federal sector of these accounts.

This analysis is designed to explain the relationships of the budget to the Federal sector of the national income accounts, and to translate the budget estimates into national income terms. It is divided into two major sections: (1) the size and trends of major components in the Federal sector; and (2) the relationship between the Federal sector and the budget.

FEDERAL SECTOR RECEIPTS AND EXPENDITURES

Total receipts in the Federal sector of the NIA are estimated to rise by \$3.6 billion between 1970 and 1971, reaching a total of \$205.4 billion in 1971. Expenditures are expected to rise by \$5.7 billion, amounting to \$203.8 billion in 1971, and resulting in a surplus of \$1.6 billion.

Trends in Federal sector receipts.—The largest receipts category by far is personal tax and nontax receipts. The principal component of this group is individual income taxes, but it also includes estate and gift taxes, fines, fees, and gifts. This has been the largest category since World War II, fluctuating between 38% to 47% of total Federal sector receipts.

Changes in personal tax receipts depend mainly on changes in personal incomes and on individual income tax rates. Such receipts rose from 7.7% of personal income in 1950 to 12.7% in 1954 as a result of tax increases to finance the Korean war. From 1955 through 1968, they ranged between 9.9% and 10.9% of personal income, but rose in 1969, because of the income tax surcharge, to reach 12.6% of personal income—the second highest proportion since 1948. As a result of the reduction in the surcharge in the first half of 1970 and its expiration at

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

Description	1969 actual	1970 estimate	1971 estimate
RECEIPTS			
Personal tax and nontax receipts.....	90.5	95.5	93.6
Corporate profits tax accruals.....	40.0	38.8	38.4
Indirect business tax and nontax accruals.....	18.6	19.1	20.5
Contributions for social insurance.....	43.6	48.3	52.9
Total receipts.....	192.7	201.8	205.4
EXPENDITURES			
Purchases of goods and services.....	101.1	100.8	96.9
Defense.....	(78.9)	(77.9)	(72.1)
Nondefense.....	(22.2)	(22.8)	(24.5)
Transfer payments.....	50.3	56.9	65.0
Domestic ("to persons").....	(48.2)	(54.7)	(62.8)
Foreign.....	(2.2)	(2.2)	(2.2)
Grants-in-aid to State and local governments.....	18.9	22.4	24.8
Net interest paid.....	12.3	13.6	13.3
Subsidies less current surplus of Government enterprises.....	4.1	4.5	4.1
Total expenditures.....	186.7	198.1	203.8
Surplus (+) or deficit (-).....	+6.0	+3.6	+1.6

the end of June 1970, total personal income tax receipts will rise only slightly and will decline relative to personal income in both 1970 and 1971. The reduction in personal income tax rates for most taxpayers, under the recent tax reform bill, is expected to reduce the relative proportion even further in future years.

During the period 1944 through 1966, corporate profits tax accruals constituted the second largest receipt category, supplying, on balance, about half as much revenue as personal taxes. This category differs from what the budget shows as corporation income taxes because of two factors: (1) the budget records cash receipts while the Federal sector records corporations' tax liabilities, and (2) deposits of earnings of the Federal Reserve System are included in NIA corporate profits while the budget treats these as miscellaneous receipts.

Over the past two decades corporate profits tax accruals have fluctuated widely as a percent of corporate profits. In the 1952-54 period they averaged more than 51% of corporate profits; from 1955 through 1967 they ranged from 34% to 50%, averaging less than 39% for the period as a whole. The income tax surcharge raised 1968 corporate taxes to more than 45% of corporate profits. While the expiration of the surcharge at the end of June 1970 will reduce these taxes, the repeal of the investment tax credit and certain other provisions of the recent tax reform bill will offset part of the reduction.

Indirect business tax and nontax accruals consist primarily of excise taxes, customs duties, and Federal receipts on rents and royalties. Over the past 20 years, this category has decreased in importance as a source of revenues. For the period 1946 through 1950, they provided about 19% of total Federal sector receipts; from 1951 through 1965

they averaged only 14% of total Federal sector receipts; while from 1966 through 1969 they were less than 11%.

While excise taxes in general have become less important as a source of receipts, those that are levied as user charges are an increasing part of the total. The principal example of this is the highway trust fund, which currently accounts for about one-fourth of indirect business taxes. The proposed aviation user charges will also add receipts to this category.

Contributions for social insurance constitute the final category of receipts. As the table below indicates, these are becoming an increasingly important portion of Federal sector receipts.

Table A-2. SOCIAL INSURANCE CONTRIBUTIONS, PERSONAL INCOME, AND TOTAL FEDERAL SECTOR RECEIPTS, SELECTED YEARS
(dollar amounts in billions)

Fiscal year	Personal income ¹	Total Federal sector receipts	Contributions for social insurance	Contributions as percent of—	
				Personal income	Total Federal sector
1946.....	172	38.4	5.8	2.4	15.1
1951.....	243	60.8	6.6	2.7	10.9
1956.....	323	75.8	10.2	3.2	13.5
1961.....	406	95.3	18.1	4.5	19.0
1966.....	564	132.8	28.5	5.1	20.4
1969.....	718	192.7	43.6	6.1	22.6
1970 estimate.....	775	201.8	48.3	6.2	23.9
1971 estimate.....	NA	205.4	52.9	NA	25.8

¹ Average of seasonally adjusted quarters.

NA=Not available.

In 1967, social insurance contributions exceeded corporate profits tax accruals, and thus became the second largest category of Federal sector receipts. As table A-3 shows, there are three main growth areas in the social insurance group: Old-age, survivors, and disability insurance (OASDI), civil service retirement, and the health insurance trust funds.

Growth of OASDI receipts results from larger numbers of insured taxpayers, higher rates of taxation, and a rising tax base. The civil service retirement fund is financed by employer and employee contributions. The hospital and supplementary medical insurance funds are relatively new, but are characterized by rapid growth, because of both expansion of coverage and higher rates. These higher rates are required because of the particularly rapid growth in utilization and costs in this area. The general fund makes contributions to both of these funds, but such contributions are not classified as social insurance contributions.

There is some growth under the other retirement and disability category, which is mainly railroad retirement receipts, while the veterans insurance contributions (mainly the National Service Life Insurance fund) are quite stable. The remaining category—unemployment insurance—declined from a high of \$4.1 billion in 1963 to the current level of \$3.4 billion. These receipts finance the benefit

payments and administrative costs under the Federal-State unemployment insurance program.

Table A-3. COMPOSITION OF CONTRIBUTIONS FOR SOCIAL INSURANCE
(in billions of dollars)

Fiscal year	Total social insurance	Retirement and disability			Hospital and supplementary medical insurance	Unemployment insurance (includes RRUI)	Veterans life insurance
		Old-age, survivors, and disability insurance	Civil service retirement	Other ¹			
1960.....	16.7	11.2	1.5	0.7	-----	2.8	0.5
1961.....	18.1	12.2	1.7	.6	-----	3.0	.6
1962.....	19.9	13.5	1.8	.7	-----	3.3	.6
1963.....	22.1	14.8	1.9	.7	-----	4.1	.6
1964.....	23.5	16.5	2.1	.7	-----	3.8	.6
1965.....	24.6	17.3	2.2	.7	-----	3.8	.6
1966.....	28.5	20.3	2.3	.8	0.9	3.8	.6
1967.....	35.8	25.0	2.5	.8	3.3	3.7	.5
1968.....	38.0	26.4	2.7	.9	4.2	3.3	.5
1969.....	43.6	30.5	2.9	.9	5.5	3.4	.5
1970 estimate....	48.3	34.3	3.3	1.0	5.8	3.4	.5
1971 estimate....	52.9	36.8	3.5	1.1	7.6	3.4	.5

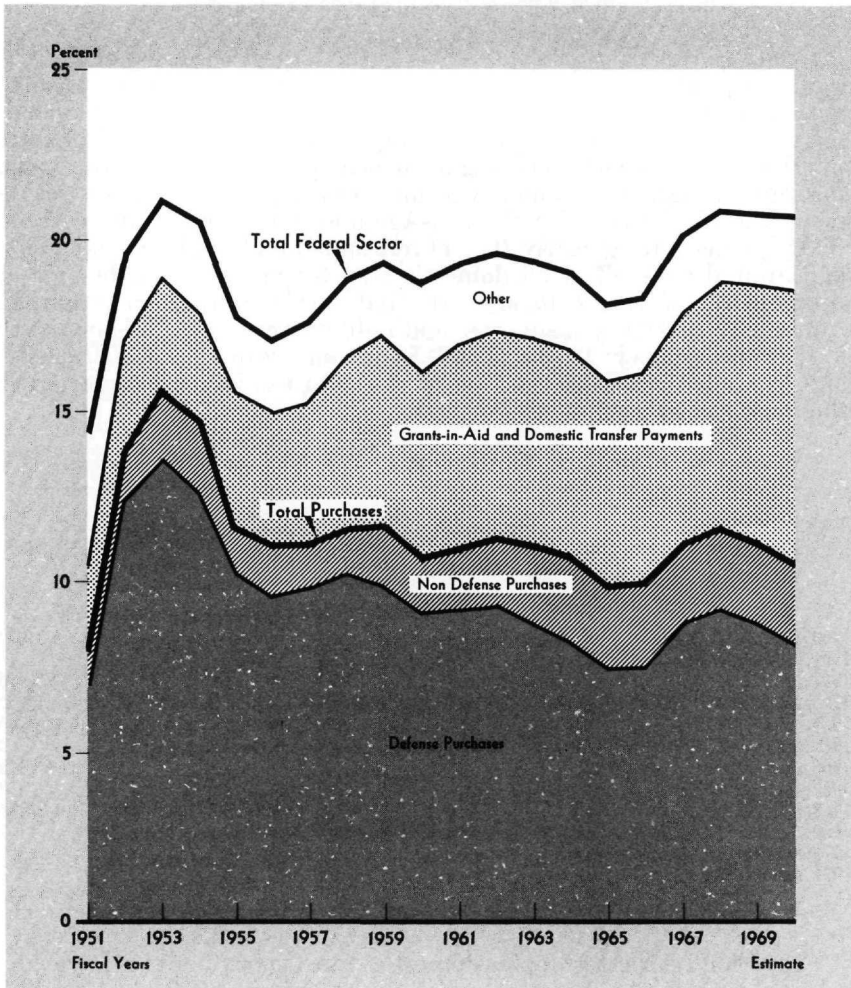
¹ Mainly railroad retirement.

Trends in Federal sector expenditures.—Federal sector expenditures, like receipts, are divided into several major groupings, depending upon the nature of the transaction. The primary division is between purchases of goods and services (chiefly for defense) and all other transactions. Purchases represent that portion of the Nation's output that is bought directly by the Federal Government; the other categories consist primarily of transfers of income to other groups which, in turn, can be used to finance the purchase of goods and services. As the accompanying chart illustrates, there have been significant shifts in the relative size of the various Federal sector expenditure components over the past two decades.

The chart shows the trend of Federal sector expenditures as a percent of gross national product (GNP). Since our population continues to grow, some increase in the demand for governmental services would be expected. In addition, price and cost increases have led to higher expenditures. The comparison of Federal sector expenditures with GNP provides a reasonable adjustment for these factors. Table A-7 provides the basic data used in the chart.

Defense purchases of goods and services.—This is the largest single component of Federal sector outlays, including most of the expenditures of the Department of Defense, the military assistance program, the Atomic Energy Commission, and other defense-related activities. Defense purchases have fluctuated widely in the past three decades, varying with the state of international tensions. At the peak of World War II, they constituted over 40% of GNP—yet in 4 years they dropped to less than 4% of the total. The Korean war raised defense purchases to 13½% of GNP in 1953, with subsequent declines during most of the following 13 years. The Vietnam war in

Federal Sector Expenditures Relative to Gross National Product



1967 and 1968 increased the proportion of GNP going to defense purchases, but this proportion dropped in 1969 and the decline is expected to continue through 1971.

Nondefense purchases of goods and services.—This category covers the goods and services consumed by Federal civilian operations including such programs as maintenance of national forest, park, and recreation areas; space exploration; promotion of commerce; construction of flood control and navigation projects; operation of the Federal airway system; a wide variety of medical and other scientific research; Federal law enforcement activities; and maintenance of veterans hospitals.

Nondefense purchases varied considerably as a proportion of GNP during the decade from 1951 through 1960; they rose from 1.6% of GNP in 1960 to 2.4% in 1964, largely as a result of expansion of

purchases to finance the space program. Since that time nondefense purchases have been a very stable proportion of GNP.

Domestic transfer payments.—This is the largest category of Federal sector expenditures that affect the distribution of national income without constituting a direct Federal consumption of resources. Spending in these programs has expanded rapidly largely because of a higher number of beneficiaries and higher benefit payments under the social insurance programs. Around two-thirds of the payments are for retirement and disability, with the Old-Age and Survivors Insurance fund (OASI) constituting nearly 70% of retirement and disability payments and around one-half of all domestic transfer payments. Other major components of this category are civil service retirement, railroad retirement, disability insurance, and military retired pay. The growth in these programs in 1970 and 1971 is due partly to liberalized benefits and expanded coverage, and particularly to the increases enacted in the most recent session of Congress.

Table A-4. DOMESTIC TRANSFER PAYMENTS (in billions of dollars)

Fiscal year	Total	Retirement and disability	Hospital and supplementary medical insurance	Veterans insurance and benefits	Unemployment benefits	All other
1960.....	20.6	13.1	-----	4.4	2.7	0.3
1961.....	23.6	14.4	-----	4.6	4.2	.4
1962.....	25.1	16.4	-----	4.6	3.6	.5
1963.....	26.4	18.0	-----	4.7	3.1	.5
1964.....	27.3	19.1	-----	4.6	2.9	.6
1965.....	28.3	20.2	-----	4.7	2.5	.8
1966.....	31.8	23.9	-----	4.7	2.1	1.1
1967.....	37.3	25.3	3.2	5.3	2.1	1.3
1968.....	42.4	27.9	5.1	5.5	2.2	1.6
1969.....	48.2	31.8	6.3	6.1	2.3	1.7
1970 estimate.....	54.7	35.7	7.2	6.8	3.0	2.1
1971 estimate.....	62.8	40.4	8.4	7.0	3.4	3.5

The second largest group of domestic transfer payments is for medical care under the hospital and supplementary medical insurance programs. There were no benefit payments under these programs prior to the introduction of Medicare in 1967, but by 1971, they are expected to reach \$8.4 billion. A much older, but less rapidly expanding, group of transfer payments is veterans benefits. The principal growth since 1968 is due to enactment of educational benefits for veterans serving since the Korean war.

Unemployment benefits constitute another major category of domestic transfer payments. Changes in the level of these payments are determined primarily by changes in the level of insured unemployment. In 1971, these outlays are expected to rise to \$3.4 billion, but as table A-4 shows, this is still lower than in 1961 despite the substantially larger labor force.

Current Federal efforts to reduce deprivation and malnutrition have resulted in two significant growth items—the proposed welfare reform program and the food stamp program. Traditional Federal Government outlays for welfare have taken the form of grants-in-aid

to States. The proposed welfare reform will result in substantially increased Federal outlays in the near term. Some of these outlays will be direct Federal transfer payments to individuals—amounting to \$0.5 billion starting in 1971—while the bulk of the funds will still be classified as grants-in-aid. Similarly, the food stamp program is being expanded rapidly. In 1967, food stamps provided \$0.1 billion of domestic transfers; by 1971, they are expected to total \$1.2 billion.

Grants-in-aid.—This group of outlays is composed of many programs designed either to assist State and local governments to provide public services or else to assist their financing of benefit programs for needy people. The largest expenditures in this category are for public assistance, Medicaid, and vocational rehabilitation. As table A-5 shows, spending for these programs rose from \$2.1 billion in 1960 to \$5.6 billion in 1968 and an estimated \$8.0 billion in 1970. In 1971 these grants are expected to total \$9.1 billion.

Table A-5. FEDERAL GRANTS-IN-AID (in billions of dollars)

Fiscal year	Total	Public assistance and vocational rehabilitation ¹	Education and manpower	Transportation	Community development and housing	Other
1960-----	6.8	2.1	0.7	3.0	0.1	1.0
1961-----	6.9	2.2	.8	2.6	.1	1.1
1962-----	7.6	2.5	.9	2.8	.2	1.2
1963-----	8.4	2.8	.9	3.0	.2	1.4
1964-----	9.8	3.0	1.0	3.7	.2	1.8
1965-----	10.9	3.2	1.4	4.1	.4	2.0
1966-----	12.7	3.7	2.4	4.0	.4	2.1
1967-----	14.8	4.4	3.5	4.0	.6	2.3
1968-----	17.6	5.6	4.2	4.3	.6	2.9
1969-----	18.9	6.6	4.2	4.4	.7	3.0
1970 estimate-----	22.4	8.0	4.3	4.7	1.6	3.8
1971 estimate-----	24.8	9.1	4.6	4.8	1.9	4.4

¹ Includes Medicaid.

A second type of grant is for education and manpower. The three largest categories of education grants are for elementary and secondary education (which are focused heavily on economically deprived areas), higher education, and Federal aid to impacted areas (for school districts with children of Federal civilian or military personnel). Emphasis is being given by the Government to improve the delivery of educational services and the use of manpower training programs as instruments for moving people from welfare rolls to productive employment.

Transportation has been a major component of grant outlays since the mid-1950's. The highway trust fund has been highly successful in developing a nationwide system of roads that is unsurpassed in the world. While progress toward completion of this system is continuing, the basic focus of expansion in the transportation field is now concentrated in two other areas: aviation and urban mass transit. The vast expansion of air travel in recent years has greatly strained the capacity of our national airport and airway system. The Government is vigor-

ously pursuing a planned increase in outlays for aviation—including significant grants for airport construction. These outlays are to be financed by user charges rather than by the general taxpayer.

The community development and housing area is receiving increasing assistance from Federal grants. While the vast majority of urban construction is provided and financed privately, there are key public facilities such as water systems, waste treatment plants, slum clearance, open space and recreation facilities, that have received and are receiving large infusions of Federal money.

Another notable expansion of grant expenditures is for crime prevention. This program provides funds for a wide range of improvements in local law enforcement and criminal justice activities.

A more detailed analysis of grants-in-aid programs is presented in Special Analysis O of this budget. The definitions of grants are not the same for that analysis as they are for the NIA, but most of the programs are common to both. The principal differences between the Special Analysis O and the NIA grants are: (1) Special Analysis O includes some outlays (mainly for food stamps, the Office of Economic Opportunity, and hospital construction) that the NIA treats as transfer payments; (2) Special Analysis O excludes payments for research, while the NIA includes research payments to public universities as grants; and (3) Special Analysis O includes aid in kind, while the NIA grants are only cash payments.

Other Federal sector expenditures.—Three categories—net interest paid, foreign transfer payments, and subsidies less current surplus of Government-sponsored enterprises—complete the Federal sector expenditures. The principal growth in recent years is for net interest paid. This growth has been caused in part by a larger outstanding debt, but primarily by higher interest rates.

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

Subsidies less current surplus of Government enterprises consists of two elements that are consolidated for statistical reasons: (a) Subsidy payments to resident businesses; and (b) the “current surplus” or “deficit” of Government enterprises.

(a) A subsidy is a monetary grant to a unit engaged in commercial activities (mainly businesses and farms). Examples of 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) for which operating costs are to a great extent covered by the sale of goods and services to the public, as distinguished from those financed by tax receipts. Government enterprises conduct operations that are of a business-type nature. The difference between their sales and current operating expenses constitutes the

surplus or deficit of Government enterprises. The largest of these enterprises are the Commodity Credit Corporation (CCC), the Post Office, and the Tennessee Valley Authority.

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

Conceptually, the national income accounts include all the Nation's current income and production activities, and do not measure transactions—such as loans—that represent an exchange of assets rather than income or production. Loan transactions have a significant economic impact, affecting both income and output, but they are best analyzed as part of credit rather than fiscal policy. Special Analysis C (Borrowing and Investment) and Special Analysis E (Federal Credit Programs) are both designed to facilitate a study of the financial market implications of the budget.

Budget outlays are divided into two major segments—the expenditure account and the loan account. All transactions included in the loan account are excluded from the Federal sector, so this discussion focuses exclusively on how the Federal budget expenditure account relates to the Federal sector account.

Table A-6 shows the major differences between the budget and the Federal sector estimates. These differences are explained in the following paragraphs.

Table A-6. RELATIONSHIP OF THE BUDGET TO THE FEDERAL SECTOR, NIA (in billions of dollars)

Description	1969 actual	1970 estimate	1971 estimate
RECEIPTS			
Total budget receipts	187.8	199.4	202.1
Government contribution for employee retirement (grossing).....	2.1	2.4	2.6
Other netting and grossing.....	1.3	1.4	1.4
Adjustment to accruals.....	1.7	-.9	-.5
Other.....	-.2	-.4	-.2
Federal sector, NIA receipts	192.7	201.8	205.4
EXPENDITURES			
Total budget outlays	184.6	197.9	200.8
Loan account.....	-1.5	-2.9	-.7
Financial transactions in the expenditure account.....	-1.0	-1.8	-1.9
Government contribution for employee retirement (grossing).....	2.1	2.4	2.6
Other netting and grossing.....	1.3	1.4	1.4
Defense timing adjustment.....	.7	1.7	1.3
Dollar expenditures to finance agricultural exports.....	-.3	-.3	-.2
Other.....	.9	-.2	.5
Federal sector, NIA expenditures	186.7	198.1	203.8

Lending and financial transactions.—The loan account in the budget includes only those domestic credit transactions where there are def-

inite requirements for full repayment of the loans, plus all foreign loans made on commercial terms. Credit programs that do not meet these requirements are included in the expenditure account. The Federal sector, however, excludes not only all lending transactions included in the loan account, but also some financial transactions included as expenditures in the budget—such as foreign loans of the Agency for International Development, and tobacco and foreign loans in the Commodity Credit Corporation (CCC). Certain credit transactions in the expenditure account—like most CCC nonrecourse commodity loans—are treated as purchases of goods under the national income accounts concept.

Government contribution for employee retirement.—The Civil Service and Foreign Service Retirement programs are financed by employer and employee contributions. Retirement benefits under these programs are recorded as expenditures in the budget and as transfer payments in the Federal sector accounts. The contributions of Government agencies, as employers, to these retirement trust funds are deducted from total budget expenditures since these contributions represent intragovernmental transactions. However, the NIA considers Government payments for employee retirement to be part of the compensation paid to Government employees who, in turn, make their trust fund contributions. Therefore, the Federal sector includes the Government's contributions to employee retirement funds in both receipts and expenditures. Likewise, contributions by the Government on behalf of its employees who are covered by the old-age, survivors, disability, and health insurance programs are included in Federal sector receipts and expenditures. These adjustments affect total receipts and expenditures equally and thus do not alter either the budget or Federal sector surplus or deficit.

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

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

The principal timing adjustment on the expenditures side is for defense purchases. Procurement items (such as ships or airplanes) are

recorded in the Federal sector as defense purchases at the time of delivery to the Federal Government rather than when they are fabricated or when they are paid for; work in process is counted as part of private business inventories until the articles are completed and delivered to the Government. Both the budget and the Federal sector record public debt interest when it accrues.

Dollar expenditures to finance agricultural exports.—The Commodity Credit Corporation facilitates the export of agricultural products by accepting foreign currencies in payment for such commodities. This expenditure of dollars is included in the budget but excluded from the Federal sector on the ground that it is an exchange of financial assets: Dollars for foreign currencies. When the foreign currencies thus acquired are spent, they are then counted as Federal sector expenditures.

Other.—This category includes some miscellaneous adjustments, largely for certain specialized aspects of the national income accounts, such as purchase and sale of land, which are included in the budget but not in the national income accounts. Certain nondefense timing adjustments are included here because of the difficulty in separating them from other adjustment categories. It also includes adjustments for the expenditure of foreign currency acquired as described in the preceding paragraph.

The following tables provide additional basic data relevant to the Federal sector.

Table A-7. GNP AND FEDERAL SECTOR EXPENDITURES AS A PERCENT OF GNP (in billions of dollars)

Fiscal year	Total GNP (in billions of dollars)	Federal sector expenditures as a percent of GNP					
		Total expenditures	Purchases		Domestic transfer payments	Grants-in-aid	All other
			Defense	Non-defense			
1951.....	310.5	14.4	7.0	1.1	2.6	0.8	2.9
1952.....	337.2	19.6	12.4	1.4	2.5	.7	2.5
1953.....	358.9	21.1	13.6	2.0	2.6	.8	2.2
1954.....	362.1	20.5	12.6	2.1	2.9	.8	2.1
1955.....	378.6	17.8	10.2	1.4	3.2	.8	2.2
1956.....	409.4	17.0	9.6	1.5	3.1	.8	2.1
1957.....	431.3	17.6	9.8	1.2	3.3	.9	2.3
1958.....	440.3	18.9	10.2	1.3	4.0	1.1	2.2
1959.....	469.1	19.4	9.9	1.8	4.2	1.3	2.2
1960.....	495.2	18.4	9.1	1.6	4.2	1.4	2.2
1961.....	506.5	19.3	9.2	1.7	4.7	1.4	2.4
1962.....	542.1	19.6	9.3	1.9	4.6	1.4	2.4
1963.....	573.4	19.4	8.8	2.3	4.6	1.5	2.3
1964.....	612.2	19.1	8.3	2.4	4.5	1.6	2.3
1965.....	654.2	18.1	7.5	2.4	4.3	1.7	2.3
1966.....	721.2	18.3	7.5	2.4	4.4	1.8	2.2
1967.....	768.8	20.1	8.8	2.3	4.8	1.9	2.2
1968.....	828.0	20.8	9.1	2.4	5.1	2.1	2.1
1969.....	900.6	20.7	8.8	2.5	5.3	2.1	2.1
1970 estimate.....	960.0	20.6	8.1	2.4	5.7	2.3	2.1

Table A-8. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS, 1960-1971 (in billions of dollars)¹

Description	Actual										Estimate	
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
RECEIPTS, NATIONAL INCOME BASIS												
Personal taxes and nontaxes.....	42.5	43.6	47.3	49.6	50.7	51.3	57.6	64.4	71.3	90.5	95.5	93.6
Corporate profits tax accruals.....	22.3	20.3	22.9	23.5	25.7	27.7	31.0	31.1	34.3	40.0	38.8	38.4
Indirect business tax and nontax accruals.....	13.2	13.3	14.2	15.0	15.6	16.9	15.7	16.1	17.2	18.6	19.1	20.5
Contributions for social insurance.....	16.7	18.1	19.9	22.1	23.5	24.6	28.5	35.8	38.0	43.6	48.3	52.9
Total receipts, national income basis.....	94.8	95.3	104.2	110.2	115.5	120.5	132.8	147.3	160.9	192.7	201.8	205.4
EXPENDITURES, NATIONAL INCOME BASIS												
Purchases of goods and services.....	52.7	55.5	60.9	63.4	65.7	64.4	71.7	85.3	95.3	101.1	100.8	96.6
Defense.....	(45.0)	(46.7)	(50.5)	(50.4)	(50.9)	(48.9)	(54.4)	(67.7)	75.8	(78.9)	(77.9)	(72.1)
Nondefense.....	(7.8)	(8.9)	(10.4)	(13.0)	(14.7)	(15.5)	(17.3)	(17.6)	19.5	(22.2)	(22.8)	(24.5)
Transfer payments.....	22.4	25.6	27.2	28.5	29.5	30.5	34.2	39.4	44.5	50.3	56.9	65.0
Domestic ("to persons").....	(20.6)	(23.6)	(25.1)	(26.4)	(27.3)	(28.3)	(31.8)	(37.3)	(42.4)	(48.2)	(54.7)	(62.8)
Foreign.....	(1.8)	(2.1)	(2.1)	(2.1)	(2.2)	(2.2)	(2.3)	(2.2)	(2.1)	(2.2)	(2.2)	(2.2)
Grants-in-aid to State and local governments.....	6.8	6.9	7.6	8.4	9.8	10.9	12.7	14.8	17.6	18.9	22.4	24.8
Net interest paid.....	7.0	6.8	6.8	7.5	8.1	8.5	9.0	9.9	10.8	12.3	13.6	13.3
Subsidies less current surplus of Government enterprises.....	2.3	3.2	3.8	3.6	3.8	4.1	4.5	5.1	4.1	4.1	4.5	4.1
Total expenditures, national income basis.....	91.3	98.0	106.4	111.4	116.9	118.5	131.9	154.6	172.4	186.7	198.1	203.8
Excess of receipts (+) or expenditures (-), national income basis.....	+3.5	-2.7	-2.1	-1.2	-1.4	+2.0	+9	-7.2	-11.5	+6.0	+3.6	+1.6

¹ A reproduction of table 18, part 5, of the Budget Document.

Source.—Actual data for 1960-69 are based on the estimates prepared by the Department of Commerce. Data for 1970 and 1971 are based on estimates by the Bureau of the Budget in cooperation with the Department of Commerce.

SPECIAL ANALYSIS B

FUNDS IN THE BUDGET

This analysis classifies budget information by the groups of funds which comprise the budget. It also presents information on the gross receipts and expenditures of all funds in the aggregate.

BREAKDOWN OF TOTALS, BY FUND GROUPS

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

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

Description	1969 actual	1970 estimate	1971 estimate
RECEIPTS			
Federal funds:			
Total in fund accounts.....	146,211	152,647	152,250
Interfund transactions.....	-644	-827	-1,064
Proprietary receipts from the public.....	-2,238	-2,241	-3,586
Receipts, Federal funds.....	143,329	149,579	147,600
Trust funds:			
Total in fund accounts.....	54,237	60,422	66,385
Interfund transactions.....	-523	-542	-580
Proprietary receipts from the public.....	-1,705	-1,739	-1,698
Receipts, trust funds.....	52,009	58,141	64,107
Intragovernmental transactions.....	-7,547	-8,335	-9,605
Total budget receipts.....	187,792	199,386	202,103
OUTLAYS			
Federal funds:			
Total in fund accounts.....	151,700	159,771	159,587
Interfund transactions.....	-644	-827	-1,064
Proprietary receipts from the public.....	-2,238	-2,241	-3,586
Outlays, Federal funds.....	148,819	156,703	154,936
Trust funds:			
Total in fund accounts.....	45,512	51,798	57,718
Interfund transactions.....	-523	-542	-580
Proprietary receipts from the public.....	-1,705	-1,739	-1,698
Outlays, trust funds.....	43,284	49,517	55,440
Intragovernmental transactions.....	-7,547	-8,335	-9,605
Total budget outlays.....	184,556	197,885	200,771
Budget surplus.....	3,236	1,501	1,331

FEDERAL FUNDS

The Federal funds are those which the Government administers as owner (as distinguished from those administered in a trustee or

fiduciary capacity). There are four subgroups of Federal funds—the general fund, special funds, public enterprise funds, and intragovernmental revolving and management funds.

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

Description	1969 actual	1970 estimate	1971 estimate
RECEIPTS BY SOURCE			
Individual income taxes.....	87,249	92,200	91,000
Corporation income taxes.....	36,678	37,000	35,000
Excise taxes.....	10,585	10,872	12,059
Estate and gift taxes.....	3,491	3,500	3,600
Customs duties.....	2,319	2,260	2,260
Miscellaneous receipts.....	3,008	3,747	3,681
Total receipts Federal funds.....	143,329	149,579	147,600
OUTLAYS BY AGENCY			
Legislative Branch.....	276	340	367
The Judiciary.....	108	124	130
Executive Office of the President.....	31	39	45
Funds appropriated to the President:			
Economic assistance.....	1,781	1,700	1,640
Economic opportunity.....	1,813	1,841	1,285
Other.....	1,269	1,327	1,284
Agriculture.....	8,342	8,419	7,952
Commerce.....	857	1,078	1,015
Defense—Military.....	77,875	76,504	71,190
Defense—Civil.....	1,252	1,257	1,400
Health, Education, and Welfare.....	15,382	17,324	19,867
Housing and Urban Development.....	1,558	2,776	3,317
Interior.....	816	1,168	902
Justice.....	515	743	985
Labor.....	690	811	1,749
Post Office.....	920	1,247	382
State.....	422	430	454
Transportation.....	1,820	2,208	2,618
Treasury.....	17,013	19,193	19,154
Atomic Energy Commission.....	2,450	2,461	2,411
General Services Administration.....	424	454	28
National Aeronautics and Space Administration.....	4,248	3,886	3,400
Veterans Administration.....	7,459	8,402	8,197
Other independent agencies.....	1,496	2,495	2,591
Allowances for:			
Revenue sharing.....			275
Civilian and military pay increases.....		175	1,400
Contingencies.....		300	900
Total outlays Federal funds.....	148,819	156,703	154,936
Excess of outlays (—).....	—5,489	—7,124	—7,337

Note.—Excludes extraordinary outlays or credits (—) relating to purchase and redemption of securities of enterprises converted in 1969 from mixed-ownership to private corporations, as follows: 1969, \$22 million; 1970, —\$18 million. Excludes charges resulting from reclassification in 1970 of certificates of interest issued by the Commodity Credit Corporation, \$1,583 million. Also excludes transfers to the Federal National Mortgage Association in 1969, \$75 million.

Receipts and outlays.—The receipts of the general and special funds in 1971 are estimated at \$148 billion, as presented in table B-2. Outlays of all the Federal funds, are estimated at \$155 billion, distributed as shown. The proprietary receipts of the general fund

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

Obligations.—The obligations (net) for Federal funds are estimated at \$163.1 billion for 1971, as set forth in table B-3. These transactions largely flow from the budget authority of \$163.4 billion for the year, although in part the obligations were authorized by prior years' budget authority.

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

	1969 actual	1970 estimate	1971 estimate
BY AGENCY			
Legislative Branch.....	292	344	385
The Judiciary.....	108	125	130
Executive Office of the President.....	31	39	46
Funds appropriated to the President.....	4,676	5,101	4,569
Agriculture.....	9,644	7,441	7,916
Commerce.....	963	1,116	1,149
Defense—Military.....	76,755	77,422	71,708
Defense—Civil.....	1,216	1,225	1,523
Health, Education, and Welfare.....	15,876	17,264	20,095
Housing and Urban Development.....	1,796	4,305	3,899
Interior.....	1,011	1,661	1,533
Justice.....	533	838	1,124
Labor.....	713	1,075	1,852
Post Office.....	1,114	1,405	667
State.....	411	439	474
Transportation.....	1,922	2,364	2,801
Treasury.....	16,939	19,131	19,071
Atomic Energy Commission.....	2,603	2,621	2,363
General Services Administration.....	347	392	194
National Aeronautics and Space Administration.....	4,040	4,045	3,351
Veterans Administration.....	7,574	8,408	8,277
Other independent agencies.....	1,277	4,034	7,052
Allowances for:			
Revenue sharing.....			275
Civilian and military pay increases.....		175	1,400
Contingencies.....		500	1,200
Total.....	149,841	161,469	163,058

Balances of prior authority.—Table B-4 shows the balances of budget authority carried forward in Federal funds at the end of each fiscal year. To the extent that valid Government obligations have been incurred and remain unpaid, amounts sufficient to pay them may be carried over into the next year. Unobligated balances may be carried forward in accordance with specific provisions of law, usually in order to permit completion of projects as contemplated at the time the appropriations were first made, but also to provide funding for activities of a continuing nature (such as business-type enterprises) or for standby emergency purposes (such as backup for insurance of the Federal Deposit Insurance Corporation).¹

¹ For a more detailed review of balances, see *Special Analysis G, Balances of Budget Authority*.

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

Department or other unit	Start 1969		End 1969		End 1970		End 1971	
	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated
Legislative Branch.....	26	46	32	52	36	49	54	41
The Judiciary.....	11	-----	11	*	12	-----	12	-----
Executive Office of the President.....	5	*	5	1	4	*	5	*
Funds appropriated to the President:								
International financial institutions.....	1,226	6,427	1,585	6,633	1,834	6,839	2,254	6,839
Military assistance.....	1,371	5	1,299	5	1,346	-----	1,280	-----
Economic assistance.....	3,671	703	3,211	576	2,923	418	3,052	464
Office of Economic Opportunity.....	982	8	1,075	5	1,182	5	1,007	5
Other.....	645	111	615	167	838	112	663	425
Agriculture.....	5,556	2,566	6,865	1,783	5,890	1,304	5,864	1,829
Commerce.....	1,087	251	1,184	226	1,223	125	1,357	145
Defense—Military.....	30,875	14,805	29,501	14,893	30,415	10,314	30,933	8,848
Defense—Civil.....	331	233	296	278	264	243	388	11
Health, Education, and Welfare.....	7,766	959	8,099	707	8,033	422	8,261	223
Housing and Urban Development.....	17,568	12,562	17,490	13,533	9,070	13,228	9,708	12,148
Interior.....	923	461	1,117	385	1,610	590	2,241	3,548
Justice.....	38	32	55	37	151	41	290	39
Labor.....	466	332	471	363	735	346	1,184	349
Post Office.....	620	21	803	51	961	84	1,247	-----
State.....	62	18	45	13	54	3	74	2
Transportation.....	686	796	1,043	814	1,199	783	1,381	3,407
Treasury.....	101	10	115	12	137	-7	140	-3
Atomic Energy Commission.....	1,115	385	1,268	398	1,428	-----	1,380	-----
General Services Administration.....	208	380	130	355	68	324	235	168
National Aeronautics and Space Administration.....	1,614	380	1,405	331	1,564	21	1,514	-----
Veterans Administration.....	699	1,984	809	1,691	817	1,481	896	1,674
Civil Service Commission.....	3	4	3	4	3	4	5	4
Export-Import Bank.....	2,996	2,687	2,818	2,569	3,562	1,174	5,052	-----
Federal Deposit Insurance Corporation.....	-----	3,000	-----	3,000	-----	3,000	-----	3,000
Federal Home Loan Bank Board.....	61	3,697	52	3,990	-19	7,223	-29	7,350
Other independent agencies.....	1,313	2,096	1,288	1,677	1,483	975	1,591	550
Allowances for contingencies.....	-----	-----	-----	-----	200	-----	500	-----
Total.....	172,024	54,961	172,688	54,548	77,022	49,099	82,541	51,065

* Less than \$500 thousand.

¹ Deficiencies brought forward of \$7 million at start of 1969 and \$14 million at start of 1970 have been offset against balances brought forward.

PUBLIC ENTERPRISE FUNDS

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

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

Receipts and outlays.—Receipts of public enterprise funds are estimated at \$24,581 million in 1971, and gross outlays are planned to total \$31,411 million (table B-5), resulting in net outlays of \$6,830 million. The Commodity Credit Corporation and the postal fund are the largest enterprises, together accounting for slightly over half of the business of this subgroup of funds.

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

Description	Applicable receipts			Gross outlays		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Funds appropriated to the President:						
Economic assistance.....	104	195	167	935	925	873
Other.....	235	269	316	460	297	174
Agriculture:						
Commodity Credit Corporation ¹	3,918	5,789	5,110	8,247	9,485	8,809
Farmers Home Administration.....	1,549	2,283	3,560	1,817	2,601	2,811
Federal Crop Insurance Corporation.....	47	48	51	55	52	51
Commerce.....	184	155	121	166	130	91
Defense:						
Military.....	10	14	15	23	28	22
Civil (Panama Canal Company).....	167	174	182	159	177	188
Health, Education, and Welfare.....	23	38	39	122	141	157
Housing and Urban Development:						
College housing loan fund.....	139	147	144	341	372	294
Urban renewal fund.....	315	419	448	887	1,468	1,530
Low-rent public housing fund.....	278	612	422	630	1,069	1,068
Government National Mortgage Association.....	1,652			1,652		
Federal Housing Administration.....	1,684	1,360	1,533	1,819	1,654	1,790
Other.....	63	59	58	102	123	130
Interior.....	49	47	49	92	131	112
Labor.....	284	345	348	280	341	345
Post Office.....	6,353	6,686	7,857	7,273	7,933	8,238
Transportation.....	24	28	29	168	184	306
Treasury.....	*	2	2	*	2	2
General Services Administration.....	*	2	2	*	1	2
Veterans Administration.....	701	744	1,074	799	845	705
Other independent offices:						
Export-Import Bank.....	1,596	1,738	1,953	1,842	2,339	2,148
Farm Credit Administration.....	96	4	4	4	4	4
Federal Home Loan Bank Board:						
Federal Savings and Loan Insurance Corporation.....	362	222	166	74	68	44
Other.....	20	521	23	19	521	28
Small Business Administration.....	317	345	353	416	602	508
Tennessee Valley Authority.....	430	512	554	617	736	979
United States Information Agency.....	*	*		*	*	
Total.....	20,600	22,758	24,581	28,997	32,229	31,411
Receipts from the public.....	(17,453)	(19,837)	(21,610)			
Receipts from other accounts.....	(3,147)	(2,921)	(2,971)			

*Less than \$500 thousand.

¹ Includes advances from foreign assistance and special export programs of \$830 million in 1969, \$921 million in 1970, and \$933 million in 1971.

TRUST FUNDS

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

Receipts and outlays.—Trust fund receipts are estimated at \$64 billion in 1971, with outlays planned at \$55 billion, as shown in table B-6. The transactions of the Federal old age and survivors' insurance fund are far larger than any other trust fund.

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

Description	Outlays			Receipts		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Funds to which receipts are appropriated:						
Federal old-age and survivors insurance trust fund.....	24,690	27,376	30,794	27,348	31,531	33,444
Federal disability insurance trust fund.....	2,613	2,994	3,397	3,705	4,345	5,006
Health insurance trust funds.....	6,598	7,538	8,774	7,255	7,431	9,829
Unemployment trust fund.....	2,792	3,426	3,818	3,852	3,915	3,950
Railroad employees retirement funds.....	1,498	1,680	1,816	1,614	1,704	1,854
Federal employees retirement funds.....	1,826	2,827	3,226	3,776	4,236	4,643
Highway trust fund.....	4,151	4,427	4,395	4,690	5,170	5,613
Foreign military sales trust fund.....	1,062	970	955	959	1,020	980
Veterans life insurance funds.....	703	737	754	751	766	795
Other trust funds (nonrevolving).....	288	278	273	288	305	271
Trust revolving funds (table B-7).....	-708	-454	-484	-----	-----	-----
Subtotal.....	45,512	51,798	57,718	54,237	60,422	66,385
Interfund transactions.....	-523	-542	-580	-523	-542	-580
Proprietary receipts from the public.....	-1,705	-1,739	-1,698	-1,705	-1,739	-1,698
Total.....	43,284	49,517	55,440	52,009	58,141	64,107

Note.—Excludes extraordinary outlays or credits (—) relating to purchase and redemption of securities of enterprises converted in 1969 from mixed-ownership to private corporations as follows: 1969, \$450 million; 1970, —\$350 million; 1971, —\$100 million. Also excludes the extraordinary credits of the trust revolving funds for those enterprises noted in table B-7.

This group of funds reflects an excess of receipts of \$8.6 or \$8.7 billion each year, as follows (in millions of dollars):

	1969 actual	1970 estimate	1971 estimate
Total receipts, trust funds.....	52,009	58,141	64,107
Total outlays, trust funds.....	43,284	49,517	55,440
Excess of receipts, trust funds.....	8,725	8,624	8,667

The activities of the trust revolving fund subgroup are shown in table B-7. Several of these, representing mixed-ownership corporations, were eliminated from the scope of this fund group, when the enterprises became privately owned during the past fiscal year.

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

Description	Applicable receipts			Gross outlays		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Federal intermediate credit banks ¹	3,620	-----	-----	3,289	-----	-----
Banks for cooperatives ¹	1,049	-----	-----	1,170	-----	-----
Federal National Mortgage Association ¹	435	-----	-----	418	-----	-----
Civil Service Commission (employees' life insurance and health benefits)	1,206	1,388	1,542	1,038	1,229	1,384
Federal Deposit Insurance Corporation	367	383	404	54	50	46
All other trust revolving funds	105	115	126	106	152	159
Total trust revolving funds	6,784	1,885	2,072	6,076	1,431	1,589
Receipts from the public	(6,207)	(1,278)	(1,441)			
Receipts from other accounts	(577)	(607)	(631)			

¹ Excludes extraordinary receipts in 1969 resulting from the conversion of the three mixed-ownership enterprises to private corporations, \$10,352 million. Also excludes, in 1969, transfers received by the Federal National Mortgage Association from Federal funds, prior to the conversion, \$75 million.

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

	1968 actual	1969 actual	1970 estimate	1971 estimate
Open book balances	4,355	3,884	4,369	4,861
Investments in U.S. securities:				
Public debt	71,982	80,403	89,194	97,743
Agency debt	2,438	2,293	1,991	1,868
Total	78,774	86,580	95,555	104,472

The breakdown of the balances by fund is disclosed in table B-8. The amounts include both open book balances with Treasury and investments in U.S. securities. Part of the balances is obligated, part is unobligated. The balances on an authorization basis exceed the cash balances because for a few accounts budget authority is not the same as receipts; these differences are listed in the note appended to the table.

For 1971, as in many recent years, the largest net investments are expected to be those of the trust funds established by the Social Security Act as amended.

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

Description	As of June 30			
	1968 actual	1969 actual	1970 estimate	1971 estimate
Federal old-age and survivors insurance trust fund.....	25,548	28,119	32,341	35,011
Federal disability insurance trust fund.....	2,587	3,659	5,010	6,640
Health insurance trust funds.....	1,737	2,353	2,287	3,342
Unemployment trust fund.....	11,618	12,566	13,100	13,228
Railroad retirement accounts.....	4,551	4,633	4,719	4,799
Federal employees retirement funds.....	18,631	20,491	21,969	23,407
Highway trust fund.....	982	1,521	2,224	3,406
Foreign military sales trust fund.....	709	605	655	680
Veterans life insurance funds.....	7,111	7,092	7,188	7,229
Other trust funds (nonrevolving).....	532	534	600	784
Trust revolving funds.....	4,768	5,008	5,461	5,945
Total.....	78,774	86,580	95,555	104,472

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

	1968	1969	1970	1971
Balance available on an authorization basis.....	96,572	98,337	107,535	116,316
Unfinanced contract authorizations:				
Highway trust fund.....	-9,945	-11,258	-12,314	-13,429
Right-of-way revolving fund.....	-----	-100	-160	-225
Foreign military sales trust fund.....	-2,187	-2,037	-1,867	-1,737
Other.....	-22	-14	-2	-----
Undrawn authorizations to borrow:				
Federal National Mortgage Association.....	-2,862	-----	-----	-----
Banks for Cooperatives.....	-970	-----	-----	-----
Federal Intermediate Credit Banks.....	-2,970	-----	-----	-----
Unappropriated receipts:				
Available as needed, on an indefinite basis.....	66	23	21	21
Available for appropriation by Congress:				
Soldiers' Home permanent fund.....	108	110	112	114
Highway trust fund.....	978	1,513	2,223	3,406
Retained as permanent endowment.....	6	6	6	6
Balance available on a cash basis.....	78,774	86,580	95,555	104,472

FLOW OF GOVERNMENT-ADMINISTERED FUNDS

Although the main budget figures offset certain receipts in arriving at the outlays, it is possible to reconstruct the data to reflect the gross receipts and outlays, without offsets. Table B-9 presents such a statement. It differs from the unified, comprehensive budget only with respect to grossing and netting, and the distribution here of the nonfunctional adjustments to outlays shown in other tables. The items which are grossed here, but treated as offsets elsewhere, are as follows (in millions of dollars):

	1969 actual	1970 esti- mate	1971 esti- mate
Receipts regularly offset in individual accounts:			
Receipts of public enterprise funds (table B-5).....	17,453	19,837	21,610
Receipts of trust revolving funds (table B-7).....	6,207	1,278	1,441
Reimbursements to other appropriations and funds:			
Department of Defense—Military.....	2,376	2,466	2,498
Other agencies:			
Sale or redemption of non-Federal securities (trust funds).....	645	-----	-----
Other.....	729	795	927
Receipts offset for the budget by agency and function (table 12).....	4,192	4,211	5,538
Total.....	31,602	28,587	32,014

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

Description	1969 actual	1970 estimate	1971 estimate
RECEIPTS BY SOURCE			
Individual income taxes	87,249	92,200	91,000
Corporation income taxes	36,678	37,000	35,000
Social insurance taxes and contributions:			
Employment taxes and contributions	34,236	38,914	42,842
Unemployment insurance	3,328	3,340	3,335
Contributions for other insurance and retirement	2,353	2,551	2,931
Excise taxes	15,222	15,940	17,520
Estate and gift taxes	3,491	3,500	3,600
Customs duties	2,319	2,260	2,260
Other receipts from the public:			
General and special funds	5,387	6,132	7,435
Public enterprise funds	17,453	19,837	21,610
Trust funds (excluding trust revolving funds)	1,720	1,760	1,717
Trust revolving funds	6,207	1,278	1,441
Reimbursements to appropriations and other funds	3,750	3,261	3,426
Total receipts from the public	219,393	227,973	234,117
PAYMENTS BY FUNCTION			
National defense	85,451	83,917	78,636
International affairs and finance	5,708	6,289	6,019
Space research and technology	4,275	3,923	3,421
Agriculture and rural development	15,467	13,288	12,929
Natural resources	3,958	4,354	5,144
Commerce and transportation	14,859	16,726	17,351
Community development and housing	5,938	5,870	6,031
Education and manpower	7,035	7,735	8,337
Health	12,270	13,985	15,807
Income security	37,720	43,415	49,966
Veterans benefits and services	8,761	9,813	9,995
Interest	12,976	14,350	13,827
General government	1,738	2,331	2,749
Allowances for:			
Revenue sharing			275
Civilian and military pay increases		175	1,400
Contingencies		300	900
Total payments to the public	216,157	226,472	232,786
Excess of receipts	3,236	1,501	1,331

SPECIAL ANALYSIS C

BORROWING AND INVESTMENTS

The major fiscal responsibilities of the Federal Government include not only the disbursement of cash and the collection of revenues necessary to finance the day-to-day operations of Government programs, but also:

- The borrowing of additional cash to meet requirements not covered by current revenues and to refinance maturing obligations;
- The management and investment of funds not currently required by trust and other accounts for outlays; and
- The provision of advice and assistance, including, in many cases, Government guarantees, for borrowing by certain non-Federal borrowers.

This analysis summarizes current developments and trends in borrowings and in investments in U.S. Government securities made by the Treasury Department and other Federal agencies. It also includes discussion of the statutory limitations on the Federal debt, and summarizes current and expected developments in borrowing by Government-sponsored enterprises and in Government-guaranteed debt issued by non-Federal borrowers. All of these are significant factors in determining the impact on financial markets of the Federal programs contained in the 1971 budget.

BORROWING FROM AND REPAYMENT TO THE PUBLIC

One measure of the impact of Federal fiscal policies on the economy and on financial markets is the volume of net Government borrowing

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

	Increase or decrease (-)				Out- standing end 1971 estimate
	1968 actual	1969 actual ¹	1970 estimate ¹	1971 estimate	
Gross Federal debt:					
Public debt (issued by Treasury)	22, 476	7, 526	9, 232	8, 170	370, 297
Agency debt (issued by agencies)	5, 944	856	-3, 232	-402	12, 206
Total gross Federal debt ²	28, 420	8, 382	6, 000	7, 769	382, 503
Less debt held by Government agencies:					
Public debt	4, 329	8, 888	8, 975	9, 112	102, 902
Agency debt	991	537	-391	-143	2, 318
Net Federal borrowing from the public...	23, 100	-1, 044	-2, 583	-1, 200	277, 283

¹ The data are adjusted to exclude changes in debt and investment resulting from conversion in 1969 of three former mixed ownership enterprises to private ownership and from reclassification in 1970 of certificates of interest issued by the Commodity Credit Corporation. For details see footnotes in tables C-3 and C-4.

² Excludes debt held by International Monetary Fund.

(or repayment of borrowing) from the public. Borrowing within the Federal Government itself—mainly borrowing from trust funds—only indirectly affects the financial markets.

The budget surpluses achieved in 1969 and projected for 1970 and 1971 enable the Government to make net repayments on the total debt held by the public. These repayments make funds available that help meet heavy demands for funds from other sources—thus reducing pressures on financial markets. This situation contrasts to that in 1968 when net Government borrowing from the public absorbed \$23.1 billion.

SIZE AND GROWTH OF FEDERAL DEBT

Federal debt has risen gradually over most of the past two decades—much more slowly than debt of other major borrowers. During the 15-year period ended on June 30, 1969, gross Federal debt rose by about 35%, and the portion owned by the public rose by about 25%. This compares with increases of 280% in State and local government debt, 240% in corporate debt, and 265% in personal debt. Consequently, net new borrowing by the Federal Government has become a relatively smaller factor in financial markets.

In recent years, however, an increasing portion of the Federal securities sold has been in relatively short maturities. The present 4¼% statutory ceiling on interest rates payable on marketable issues with maturities exceeding 7 years is substantially below long-term market levels. As a result, no new direct Treasury obligations with longer maturities have been issued since January 1965. This has tended to concentrate Federal borrowing in the short end of the market and to increase both the gross dollar volume and the number of offerings each year. Since 1965, the average length of the Treasury market-

Table C-2. COMPARISON OF TRENDS IN FEDERAL DEBT, INTEREST AND GROSS NATIONAL PRODUCT (in billions of dollars)

Fiscal year	Gross Federal debt—end of year ¹	Debt held by public—end of year	Interest on debt held by public	GNP for year	Debt held by public as percent of GNP	Interest as percent of GNP
1954.....	270.8	224.5	5.2	362	62.0	1.4
1955.....	274.4	226.6	5.2	379	59.8	1.4
1956.....	272.8	222.2	5.6	409	54.3	1.4
1957.....	272.4	219.4	6.0	431	50.9	1.4
1958.....	279.7	226.4	6.4	440	51.5	1.5
1959.....	287.8	235.0	6.5	469	50.1	1.4
1960.....	290.9	237.2	8.1	495	47.9	1.6
1961.....	292.9	238.6	7.9	506	47.2	1.6
1962.....	303.3	248.4	8.0	542	45.8	1.5
1963.....	310.8	254.4	8.8	573	44.4	1.5
1964.....	316.8	257.6	9.4	612	42.1	1.5
1965.....	323.2	261.6	10.0	654	40.0	1.5
1966.....	329.5	264.7	10.6	721	36.7	1.5
1967.....	341.4	267.5	11.8	766	34.9	1.5
1968.....	369.8	290.6	12.8	823	35.3	1.6
1969.....	367.1	279.5	14.3	901	31.0	1.6
1970.....	374.7	278.5	15.6	959	29.0	1.6

¹ Excludes special notes issued to International Monetary Fund and international lending agencies.

able debt has declined from over 5 years to less than 4 years, and the amount of debt that needs refunding each year now exceeds \$100 billion.

In the aggregate, Federal debt held by the public has risen much more slowly than the increase in the gross national product. The publicly held Federal debt outstanding at the end of 1954 amounted to 62% of the gross national product during the year. By the close of 1969, the comparable ratio had fallen to 31% (see table C-2).

From a budgetary standpoint, changes in the net interest cost of the debt held by the public are more significant than changes in the total amount of debt. As the result of the general increase in interest rates in recent years, the amount of interest payable on both new cash borrowings and refundings has increased substantially. Between 1959 and 1969, net interest paid to the public on the Federal debt more than doubled (increasing from \$6.5 billion to \$14.3 billion), while the interest-bearing debt was up by only 20%. In that period, the rise in interest costs roughly kept pace with the growth in the gross national product. In 1959, net interest paid to the public was about 1.4% of the gross national product, compared with 1.6% in 1969.

BORROWING BY FEDERAL AGENCIES

Certain business-type activities of Federal agencies are wholly or largely financed by borrowing. In most cases, the funds these agencies require are borrowed from the Treasury. They affect Federal debt indirectly, when the Treasury borrows to finance the agencies' outlays. Outstanding agency debt to the Treasury on June 30, 1969, totaled \$28.1 billion.

Some Government agencies are authorized to issue their own debt instruments to the public or to other Government agencies and funds. Such agency borrowing is part of the Federal debt, as the term is used in the summary tables of the budget. Since the disbursement of such borrowed money represents a budget outlay, the authorization to borrow likewise represents budget authority.

Net changes in outstanding agency debt (other than debt owed to the Treasury) are shown by agency in table C-3. For both 1970 and 1971, agency debt repayments will exceed their new borrowing by \$3.2 billion and \$0.4 billion, respectively. Of these amounts, net repayments of borrowing from the public will account for \$2.8 billion and \$0.3 billion, respectively.

Table C-3. AGENCY BORROWING ¹ (in millions of dollars)

Description	Increase or decrease (-)			Out- standing end 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Borrowing from the public:				
Agriculture:				
Commodity Credit Corporation ²		-1,583		
Farmers Home Administration.....	-28	-286	-89	357
Defense.....	-74	-71	-79	1,456
Health, Education, and Welfare.....	6	-3	-1	127
Housing and Urban Development:				
College housing loans.....	339	-107	-9	1,289
Public facility loans.....	-2	-4	-1	106
Federal Housing Administration.....	55	-21	29	574
Government National Mortgage Association.....	-48	-145	-65	1,197
Federal National Mortgage Association ³	221			
Veterans Administration.....	80	-101	-75	1,309
Export-Import Bank.....	-98	-706	-354	1,412
Farm Credit Administration:				
Banks for cooperatives ³	215			
Federal intermediate credit banks ³	-291			
Small Business Administration.....	-158	-164	-58	593
Tennessee Valley Authority.....	139	351	440	1,455
All other.....	*	*	5	14
Undistributed ⁴	-36			
Total borrowing from the public.....	319	-2,841	-259	9,889
Borrowing from other funds:				
Agriculture ²	69	-118	-45	278
Defense.....	-14	-15	-15	227
Health, Education, and Welfare.....	6	-1	-1	78
Housing and Urban Development:				
College housing loans.....	236	-42	-5	723
Public facility loans.....	*	-2	-1	44
Federal Housing Administration.....	13	-6	-6	99
Government National Mortgage Association.....	49	-56	-33	401
Federal National Mortgage Association ³	-72			
Veterans Administration.....	105	-24	-10	366
Farm Credit Administration:				
Banks for cooperatives ³	-55			
Federal intermediate credit banks ³	94			
Small Business Administration.....	5	-64	-29	100
Tennessee Valley Authority.....	63	-63		
Undistributed ⁴	36			
Total borrowing from other funds.....	537	-391	-143	2,318
Total agency borrowing ¹.....	856	-3,232	-402	12,206

*Less than \$500 thousand.

¹ Excludes agency borrowing from Treasury.² Transactions for 1970 include repayment of \$1,583 million of CCC certificates of interest held by the public and \$7 million held by other funds. The certificates were reclassified on July 1, 1969, from sales of guaranteed loans to borrowing; the reclassification is excluded from this table.³ Trust fund, converted to private ownership during fiscal year 1969. Figures include only changes in agency debt prior to conversion, and exclude following net changes in agency debt resulting from conversion to private ownership (in millions):

	From public	From other funds	Total
Federal National Mortgage Association.....	-5,528	-508	-6,036
Banks for cooperatives.....	-1,390	-----	-1,390
Federal intermediate credit banks.....	-3,432	-149	-3,581
Total.....	-10,350	-657	-11,006

⁴ Adjustment between two sections of the table is to offset other figures for the changes in agency debt held as instruments by mixed-ownership enterprises at time of conversion to private ownership (see footnote 1 to table C-4).

More than half of the agency debt of \$12.2 billion estimated to be outstanding on June 30, 1971, will consist of \$7.1 billion in certificates of participation in pools of loans issued in prior years by the Government National Mortgage Association, as trustee on behalf of the Departments of Agriculture, Health, Education, and Welfare, and Housing and Urban Development, the Veterans Administration, and the Small Business Administration. No further issuance of such certificates of participation is currently planned for 1970. Of the \$1,315 million in certificates maturing in 1971, an estimated \$893 million will be refunded and the remaining \$422 million retired.

Other major types of agency debt include portfolio certificates and debentures sold by the Export-Import Bank, family housing mortgages issued by the Department of Defense and the Coast Guard, revenue bonds by the Tennessee Valley Authority, and debentures by the Federal Housing Administration (in payment of some of the insurance claims arising from Federal mortgage insurance). The only significant increases in agency borrowing from the public are \$0.4 billion by TVA in both 1970 and 1971.

Two other types of agency borrowing transactions are included in the 1969 and 1970 columns of table C-3. During 1969, three major groups of Government-sponsored credit agencies completed conversion to private ownership and were reclassified as private agencies. The outstanding debt of these agencies at the time of conversion totaled \$11,006 million. These are discussed in more detail in the section dealing with borrowing by Government-sponsored agencies.¹ In addition, as of July 1, 1969, certificates of interest of the Commodity Credit Corporation totaling \$1.590 million, which were formerly treated as sales of guaranteed loans, were reclassified as agency borrowing. The issuance of such certificates was suspended in August 1969 and liquidation of outstanding certificates is expected to be completed in 1970.

AGENCY INVESTMENTS IN FEDERAL SECURITIES

Trust funds and some public enterprise funds accumulate cash in excess of current requirements in order to meet possible future claims and demands. Such temporary cash surpluses are usually invested in public debt or agency debt securities. These investments, in turn, are "cashed" as the money is needed for disbursement. Neither purchases nor redemptions of these securities are counted in budget outlays or receipts.

As table C-4 indicates, net investments by Government agencies and trust funds in Government securities are estimated to total \$8.6 billion in 1970 and \$9.0 billion in 1971. The total investments of Government agencies and trust funds will reach an estimated \$105.2 billion by June 30, 1971. This means that they will hold about 27% of the gross Federal debt. Four major trust funds—the Federal Old-Age and Survivors Fund, the Civil Service Retirement and Disability Fund, the Unemployment Trust Fund, and the National Service Life Insurance Fund—account for three-quarters of these holdings.

¹ See pp. 35-36.

Table C-4. AGENCY INVESTMENTS IN FEDERAL SECURITIES
(in millions of dollars)

Description	Increase or decrease (—) in investments			Holdings end 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Investment in public debt (issued by Treasury):				
Health, Education, and Welfare:				
Federal old-age and survivors ins. trust fund.....	2,765	3,823	3,628	32,959
Federal disability insurance trust fund.....	1,151	1,304	1,595	6,256
Federal supplementary medical ins. trust fund.....	77	—308	174	224
Federal hospital insurance trust fund.....	631	250	—379	1,761
Housing and Urban Development:				
Federal Housing Administration.....	167	208	247	1,310
Government National Mortgage Association.....	501	—241	126	893
Other.....	29	21	7	60
Labor: Unemployment trust fund.....	1,174	554	263	13,052
Transportation: Highway trust fund.....	534	707	1,182	3,402
Treasury: Exchange Stabilization Fund.....	—724	—23	—	—
Veterans Administration:				
Trust funds.....	—137	212	51	6,858
Other.....	63	59	57	480
Civil Service Commission: Trust funds.....	1,972	1,630	1,575	23,676
Farm Credit Administration: Trust funds ¹	17	—	—	—
Federal Deposit Insurance Corp.: Trust fund.....	313	337	360	4,850
Federal Home Loan Bank Board: FSLIC.....	216	154	121	2,391
Railroad Retirement Board: Trust funds.....	131	275	98	4,599
All other.....	8	15	8	130
Total investments in public debt.....	8,888	8,975	9,112	102,902
Investment in agency debt:				
Health, Education, and Welfare:				
Federal old-age and survivors ins. trust fund.....	220	—15	—	625
Federal disability insurance trust fund.....	—10	—20	—10	85
Federal hospital insurance trust fund.....	—	—	—	70
Housing and Urban Development:				
Federal Housing Administration.....	—3	—6	—6	69
Government National Mortgage Association ²	105	—78	—8	157
Labor: Unemployment trust fund.....	—100	—65	—73	127
Treasury: Exchange Stabilization Fund.....	—25	—	—	—
Veterans Administration: Trust funds.....	175	—105	—10	365
Civil Service Commission: Trust funds.....	90	—15	—10	485
Farm Credit Administration: Trust fund.....	29	—	—	—
Federal Home Loan Bank Board: FSLIC.....	71	—	—	160
Railroad Retirement Board: Trust funds.....	—10	—80	—20	110
All other.....	—5	—8	—6	65
Total investments in agency debt.....	537	—391	—143	2,318
Total agency investments in Federal securities.....	9,425	8,583	8,969	105,220

¹ Transactions for 1969 include only changes in investments prior to conversion to private ownership and exclude following changes resulting from such conversion:

	Treasury debt	Agency debt	Total
Farm Credit Administration:			
Banks for cooperatives.....	—51	—23	—74
Federal intermediate credit banks.....	—160	—13	—173
Total.....	—211	—36	—247

Transactions of other funds exclude disinvestments of debt of the former mixed-ownership corporations, after conversion to private ownership, as follows: 1969, \$185 million; 1970, \$368 million; and 1971, \$100 million.

² Transactions for 1970 include disinvestment of \$7 million of CCC certificates of interest, reclassified as debt as of July 1, 1969.

LIMITATIONS ON FEDERAL DEBT

Since enactment of the Second Liberty Bond Act in 1917, a general statutory limitation has been placed on the amount of certain types of Federal debt that can be outstanding at any one time. The limit currently applies to a special definition of the debt, consisting of:

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

The statutory limit based on this definition is \$377 billion for the period beginning April 7, 1969, and ending on June 30, 1970. This includes a temporary increase of \$12 billion, which expires on June 30, 1970, after which the permanent limit of \$365 billion becomes effective.

The actual and estimated debt subject to this definition outstanding on June 30, 1968, 1969, 1970, and 1971, compared with the Federal debt held by the public and the gross Federal debt on the same dates, are shown in table C-5.

Table C-5. DEBT SUBJECT TO GENERAL STATUTORY LIMITATION
(in millions of dollars)

	1968 actual	1969 actual	1970 estimate	1971 estimate
Federal debt held by the public.....	290,629	279,483	278,483	277,283
Add: Federal securities held by Government agencies.....	79,140	87,661	96,251	105,220
Gross Federal debt.....	369,769	367,144	374,734	382,503
Deduct:				
Public debt not subject to limitation.....	654	636	430	425
Agency debt not subject to general limitation:				
Department of Defense.....	1,951	1,863	1,777	1,683
Export-Import Bank.....	2,571	2,472	1,767	1,412
Tennessee Valley Authority.....	525	728	1,015	1,455
Participation certificates ¹	4,650	5,350	4,888	5,601
Federal National Mortgage Association.....	5,888			
Farm Credit Administration.....	5,007			
Other.....	9	9	9	14
Total Federal debt not subject to limitation.....	21,255	11,058	9,886	10,590
Federal debt subject to statutory limitation.....	348,514	356,087	364,848	371,913
Add:				
District of Columbia Stadium bonds.....	20	20	20	20
Special notes held by International Monetary Fund.....	2,209	825	825	825
Total debt subject to statutory limitation.....	350,743	356,932	365,693	372,757

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

While the Federal debt held by the public is projected to decline by \$1.0 billion in 1970 and by \$1.2 billion in 1971, the debt subject to statutory limitation is scheduled to rise by \$8.8 billion and \$6.9 billion, respectively. This is due primarily to the fact that the debt subject to limitation includes most of the debt held by Government trust funds and other agencies and the estimated increases in such holdings equal or exceed the rise in debt subject to limitation.

On the basis of present estimates, the debt subject to limitation will slightly exceed the permanent limit of \$365 billion, which becomes effective on June 30, 1970. The President has announced his intention to recommend an increase in the limit prior to that time.

In addition to the broad range of Treasury and agency obligations subject to the general debt limitation, borrowing by other agencies in most cases is subject to explicit statutory authorization; e.g., outstanding revenue bonds issued by the Tennessee Valley Authority are currently limited to \$1,500 million.

BORROWING BY GOVERNMENT-SPONSORED ENTERPRISES

Five types of Government-sponsored enterprises, in which the Government investment has now been retired, continue to borrow under Government auspices. Three of these—the Federal National Mortgage Association, the banks for cooperatives, and the Federal intermediate credit banks—completed the shift to private ownership during 1969.

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

Each of these Government-sponsored agencies expanded its borrowing in 1969 and anticipates further expansion in 1970 and 1971 (see table C-6). Total net new borrowing in 1970 will reach a new peak of almost \$11.0 billion, primarily because of the strong support provided to the housing market by the Federal National Mortgage Association and the Federal home loan banks. While some improvement in this market is anticipated in 1971, net new borrowing by the five types of Government-sponsored enterprises as a whole is expected again to be substantial, with the total outstanding debt rising by an estimated \$7.7 billion.

Table C-6. NET BORROWING OF GOVERNMENT-SPONSORED ENTERPRISES (in millions of dollars)

	Increase or decrease (-)			Out- standing end 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Housing and Urban Development: Federal National Mortgage Association.....	¹ 2,043	5,151	4,342	17,571
Farm Credit Administration:				
Banks for cooperatives.....	¹ -15	44	73	1,525
Federal intermediate credit banks.....	¹ 659	416	459	5,113
Federal land banks.....	458	582	556	6,997
Federal Home Loan Bank Board: Federal home loan banks.....	820	4,780	2,300	12,601
Total.....	3,965	10,973	7,730	43,806

¹ Excludes net borrowing in 1969 prior to conversion to full private ownership: FNMA \$149 million, banks for cooperatives \$160 million; and Federal intermediate credit banks — \$197 million.

GOVERNMENT GUARANTEES OF NON-FEDERAL BORROWING

Seven departments and seven independent Federal agencies guarantee in whole or in part obligations issued by specific groups of non-Federal borrowers. Net changes in outstanding guaranteed debt of such borrowers are shown by agency and program in table C-7. The bulk of the obligations so guaranteed are mortgage loans to private borrowers to purchase or construct housing; these are insured by the Federal Housing Administration or the Farmers Home Administration, or guaranteed by the Veterans Administration.

In these and other programs, Government insurance or guarantees reduce or eliminate the risk of loss for private lenders and thus broaden the access of eligible borrowers to financial markets or improve the terms on which they can obtain needed funds. In some cases, the Federal agency provides direct or indirect subsidies; e.g., by payment of (1) most of the debt service on bonds issued by local public authorities to finance construction of low-rent public housing—as well as placement fees on public housing and urban renewal notes when market rates exceed 6%, (2) the full amount of interest payments during school and service years on most insured loans to students, plus incentive payments to lenders during the life of loan to the extent necessary to provide equitable returns, and (3) supplementary interest payments by the Farmers Home Administration in placing loans with private lenders. In a few cases, a Federal agency sponsors offerings of guaranteed obligations for a number of borrowers simultaneously; e.g., the periodic offerings of guaranteed public housing notes and bonds and urban renewal notes by the Department of Housing and Urban Development.

In many cases, guarantees of non-Federal obligations have only an indirect effect on the budget. Nevertheless, they help to assure financing of programs or projects that, in the absence of such support, otherwise might have been financed elsewhere on less favorable terms, if at all. In some cases, sales of direct Federal loans to private lenders with the aid of Federal guarantees enable the program in question to make new loans that otherwise could not have been made within

prevailing budgeted totals. Net additions to guaranteed non-Federal debt arising from sale of direct loans by five major programs, less repurchases (puts), are shown in a footnote at the bottom of table C-7.

As table C-7 indicates, outstanding guaranteed debt of non-Federal borrowers will increase by \$10.6 billion in 1970 and by another \$18.3 billion in 1971, primarily because of heavy federally assisted borrowing for housing. By the end of 1971, such guaranteed debt will amount to an estimated \$145.1 billion. The volume and trends in this type of financial assistance are discussed more fully in Special Analysis E, "Federal Credit Programs".¹

**Table C-7. NET GOVERNMENT-GUARANTEED BORROWING BY
NONFEDERAL BORROWERS (in millions of dollars)**

	Increase or decrease (-)			Out- standing end 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Funds appropriated to the President:				
Military assistance.....	115	90	25	482
Economic assistance ¹	51	366	513	1,268
Agriculture:				
Commodity Credit Corporation.....	667	(²)	-----	-----
Farmers Home Administration.....	340	587	2,258	5,523
Commerce:				
Economic Development Administration.....	12	14	24	63
Maritime Administration.....	55	23	131	775
Health, Education, and Welfare:				
Student loans.....	632	713	704	2,810
Medical facilities loans.....	-----	-----	92	92
Housing and Urban Development:				
Urban renewal loans.....	445	371	456	3,502
Public housing loans.....	878	1,043	1,426	9,601
Guaranteed communities loans.....	-----	40	55	95
Federal Housing Administration.....	4,367	5,202	7,877	76,080
Mortgage-backed securities.....	-----	500	1,000	1,500
Veterans Administration.....	1,558	130	1,888	36,945
District of Columbia.....	-----	-----	115	135
Export-Import Bank.....	439	1,179	1,301	4,519
Interstate Commerce Commission.....	-9	-10	-10	131
Small Business Administration.....	162	365	481	1,450
All other.....	-19	-2	-4	86
Total ³.....	9,694	10,612	18,331	145,056

¹ Includes in 1971 Overseas Private Investment Corporation.

² Figures exclude reduction of \$1,590 million in guaranteed loans as result of reclassification on July 1, 1969, of certificates of interest of Commodity Credit Corporation as Federal agency debt.

³ Includes net increase in outstanding debt resulting from direct loans sold with Federal guarantees to private lenders minus repurchases (puts) by following programs:

	1969	1970	1971
Agriculture:			
Commodity Credit Corporation.....	667	-----	-----
Farmers Home Administration.....	552	768	2,507
Housing and Urban Development.....	-----	50	100
Veterans Administration.....	1	61	526
Export-Import Bank.....	378	34	500
Total.....	1,598	913	3,633

¹ See pp. 73-74.

TOTAL FEDERAL AND FEDERALLY ASSISTED BORROWING

As the foregoing analysis indicates, in contrast to the net repayment of the Federal debt held by the public experienced in 1969 and estimated for 1970 and 1971, federally assisted borrowing has been increasing and further increases are projected. Table C-8 summarizes the developments in these three categories of borrowing, together with adjustments necessary to eliminate double counting.

Federal borrowing from the public is expected to decline \$2.6 billion in 1970 and drop another \$1.2 billion in 1971. In contrast, total Federal and federally assisted borrowing from the public is expected to increase \$12.8 billion in 1970 and \$19.1 billion in 1971. In 1970, the bulk of the increase is accounted for by the increase of \$11.3 billion in borrowing of Government-sponsored agencies. However, in 1971, most of the increase arises from the net expansion of \$12.5 billion in Government-guaranteed borrowing from the public by other non-Federal borrowers.

Table C-8. NET BORROWING FROM PUBLIC BY GOVERNMENT, GOVERNMENT-SPONSORED AND GOVERNMENT-GUARANTEED AGENCIES
(in billions of dollars)

	Increase or decrease (—)			Out- standing end 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Federal borrowing from or repayment (—) to public ¹	—1.0	—2.6	—1.2	277.3
Debt of Government-sponsored agencies ²	4.0	11.0	7.7	43.8
Less borrowing or repayment (—) of debt held by Government agencies.....	—1.1	— .4	— .1	*
Net Government-sponsored borrowing from public.....	5.1	11.3	7.8	43.8
Government guaranteed debt of non-Federal bor- rowers ³	9.7	10.6	18.3	145.1
Less borrowing from Government or Government- sponsored agencies:				
Federal National Mortgage Association.....	1.7	5.6	4.6	18.5
Government National Mortgage Association.....	.6	.4	.3	5.1
Less guarantees of securities backed by insured debt.....		.5	1.0	1.5
Net Government-guaranteed borrowing from public by non-Federal borrowers.....	7.5	4.1	12.5	119.9
Total, Federal and federally assisted borrow- ing from public.....	11.6	12.8	19.1	441.0

*Less than \$500 thousand.

¹ See table C-1.

² See table C-6.

³ See table C-7.

SPECIAL ANALYSIS D

INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS

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

To facilitate the analysis, the outlays presented in the budget as loan and expenditure accounts are classified in the following three categories:

Investment-type outlays—consisting of:

- Tangible investments in Federal assets of both a physical and financial nature;
- Tangible investments in State, local, and private physical assets;
- Intangible investments in the developmental capability of our Nation as represented by its capacity for better education, increased technical innovation, and improved health for our citizens.

The purpose of this classification is to identify outlays that yield benefits over several years and to distinguish between those outlays and funds that provide benefits in the year in which they are made. Funds that accomplish their purpose within the year are placed in the following category.

Current outlays—consisting of:

- Aid and special services to agriculture, business, labor, homeowners, tenants, veterans, and for international commitments and Federal welfare obligations.
- Retirement and Social Insurance representing Federal trusts established to provide an assured income to contributors or their families in the event of unemployment, retirement, disability, or death.

Outlays that cannot be classified in either of these two categories are placed in the following residual classification.

Unclassified outlays—consisting of:

- Allowance for revenue sharing;
- Allowance for pay increases;
- Allowance for contingencies;
- Adjustments for financial activity between agencies and special funds that are wholly within the Federal Government.
- Other services related to: (a) repair, maintenance, and operation of physical assets; (b) regulatory and control activities; (c) operation and administration of Federal departments and agencies; and (d) interest on the debt and miscellaneous Federal funds and accounts.

Each of the major classifications is subdivided so that civil and national defense outlays can be separately analyzed. Wherever possible, adjustments have been made to remove the effect of transactions that are wholly within the Government (interfund and intragovernmental transactions) and to reflect receipts that can most meaningfully be applied against outlays for market-oriented or business-type activities.

Summary.—The primary factors influencing investments and current outlays in 1971 are:

- The proportion of the budget dedicated to civil purposes has continued to grow. Civil outlays are expected to be \$130.3 billion, 65% of the total 1971 budget—a significant increase when compared with the 1970 budget, in which civil outlays are expected to be only 62% of the total.
- The administration's determination to stem inflation is reflected in important decreases in investments and current outlays. Civil additions to Federal assets, for example, are expected to be \$5.4 billion in 1971, a reduction of \$2.1 billion, or 28%, from 1970.
- A reordering of priorities, to direct additional resources to the most pressing domestic problems. The areas being given greater priority are development investments in education, training, and health, and current outlays for welfare. The investment in education, training, and health is \$11 billion in 1971, an increase of \$1.1 billion, 11%, over 1970. Current outlays for welfare are \$7.9 billion, or 29%, up \$1.8 billion from 1970. The major reductions are in investments for loans, down \$2.3 billion, in major commodity inventories, down \$0.6 billion, and in current outlays for business, down \$0.9 billion.
- The built-in increases in current outlays necessary to honor the obligations of our retirement and social insurance systems. These outlays will be \$49.3 billion, an increase of \$5.7 billion over 1970, making these benefit payments 24.5% of the total 1971 budget.

Table D-1. CIVIL INVESTMENTS AND CURRENT OPERATING OUTLAYS
(in billions of dollars)

	Outlays					
	1969 actual		1970 estimate		1971 estimate	
	Amount	Percent of budget	Amount	Percent of budget	Amount	Percent of budget
INVESTMENT-TYPE OUTLAYS						
Additions to Federal assets:						
Loans.....	3.2	1.8	3.7	1.8	1.4	0.7
Other financial investments.....	.1	.1	.4	.2	.6	.3
Public worksites and direct construction.....	2.2	1.2	2.4	1.2	3.0	1.5
Major commodity inventories.....	.4	.2	.6	.3	-.1	-----
Major equipment.....	.2	.1	.2	.1	.3	.1
Other physical assets—acquisition and improvement.....	.2	.1	.2	.1	.2	.1
Subtotal, additions to Federal assets ¹	6.3	3.4	7.5	3.8	5.4	2.7
Additions to State, local, and private assets:						
State and local assets.....	5.6	3.0	6.2	3.1	6.7	3.4
Private assets.....	1.1	.6	1.0	.5	.9	.4
Subtotal, additions to State, local, and private assets ¹	6.7	3.6	7.2	3.6	7.6	3.8

See footnotes at end of table.

Table D-1. CIVIL INVESTMENTS AND CURRENT OPERATING
OUTLAYS—Continued
(in billions of dollars)

	Outlays					
	1969 actual		1970 estimate		1971 estimate	
	Amount	Percent of budget	Amount	Percent of budget	Amount	Percent of budget
INVESTMENT-TYPE OUTLAYS—Con.						
Other development outlays:						
Education, training, and health.....	8.8	4.8	9.9	5.0	11.0	5.5
Research and development.....	6.5	3.5	6.4	3.2	6.1	3.1
Engineering and natural resources surveys ².....	.2	.1	.2	.1	.2	.1
Subtotal, other development outlays ¹	15.5	8.4	16.5	8.3	17.3	8.6
Total, investment-type outlays ¹	28.4	15.4	31.2	15.7	30.3	15.1
CURRENT OUTLAYS						
Current expenses for aids and special services:						
Agriculture ²	4.2	2.3	4.5	2.3	5.4	2.6
Business ²	1.7	.9	2.0	1.0	1.1	.5
Labor.....	.7	.4	.9	.5	1.0	.5
Homeowners and tenants ²	— .5	— .2	.1	.1	.5	.2
Veterans ²	7.6	4.1	8.6	4.3	8.9	4.4
International aids.....	1.6	.9	1.5	.8	1.4	.7
Welfare aids.....	4.7	2.5	6.1	3.1	7.9	3.9
Other aids and special services ²	3.4	1.8	4.5	2.3	4.9	2.5
Subtotal, current expenses for aids and special services ¹	23.4	12.7	28.2	14.3	31.1	15.5
Retirement and social insurance benefits:						
Insurance benefits.....	34.1	18.5	38.1	19.2	43.1	21.4
Unemployment benefits.....	2.1	1.1	2.6	1.3	2.9	1.5
Other retirement and social insurance benefits ²	2.4	1.3	2.8	1.4	3.2	1.6
Subtotal, retirement and social insurance benefits ¹	38.6	20.9	43.5	22.0	49.2	24.5
Other services and current operating expenses:						
Repair, maintenance and operation of physical assets (excluding special services).....	.8	.4	.9	.4	.9	.5
Regulation and control.....	.9	.5	1.2	.6	1.4	.7
Other operation and administration.....	2.9	1.6	3.4	1.7	3.5	1.7
Interest ²	13.0	7.0	14.4	7.3	13.8	6.9
Subtotal, other services and current operating expenses ¹	17.5	9.5	19.8	10.0	19.7	9.8
Total, current outlays ¹	79.6	43.1	91.6	46.3	100.0	49.8
Total, investment-type outlays and current outlays ¹	107.9	58.5	122.7	62.0	130.3	64.9

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¹ Subtotals and totals may not add due to rounding.
² Includes offsets for interbudgetary transactions.

OUTLAYS OF AN INVESTMENT NATURE

Outlays of an investment nature are divided into three categories: (1) additions to Federal assets; (2) additions to State, local, and private assets; and (3) developmental outlays. The investment-type portion of civil outlays is \$30.3 billion, amounting to approximately 15% of the budget for both years. Defense investments are \$30.2 billion and are now 42% of the 1971 defense budget—a reduction of 0.5% from 1970.

A principal component of investments is civil Federal assets which in 1971 will be \$5.4 billion, having declined by \$2.1 billion, or 28%, from its 1970 level.

Additions to Federal assets.—This category comprises additions to both financial and physical assets of the Federal Government.

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

Civil loans and financial assets are now \$2 billion and represents 1% of the 1971 budget. As a result of increased asset sales, civil investment in loans and financial assets decreased by \$2.1 billion from the 1970 budget. (Special Analysis E discusses financial investments in greater detail, pp. 65 to 80.)

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

Additions to civil physical assets are \$3.4 billion in 1971, a small decrease of \$11 million over 1970. The major change is in commodity inventories, which are expected to return \$77 million due to the excess of receipts from sales over new outlays.

Additions to State, local, and private assets.—Federal outlays in this category add to State, local, and private assets. Grants-in-aid that add to the physical assets of State and local governments are primarily for the construction of highways (mainly through the highway trust fund), hospitals, airports, waste-treatment works, watershed protection projects, schools in federally affected areas, and public facilities under regional economic development programs for depressed regions.

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

Civil additions to State, local and private assets is \$7.6 billion, an increase of \$0.4 billion primarily in Federal contribution to highways, hospitals, and other facilities necessary at the State and local level. These increases, however, have been kept to a much slower growth rate falling from an annual rate of 8% in 1970 to 5.9 %in 1971.

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

Civil developmental outlays are \$17.3 billion, an increase of \$0.8 billion from 1970, to become 8.6% of the budget instead of the 8.3% that it was in 1970.

Civil outlays for education, training and health are \$11.9 billion in 1971. This amount is 5.5% of the 1970 outlays—larger than in 1970 (5%), reflecting the increased concern of the administration for the need to maintain the resources that in the long run, will help determine the Nation's ability to grow.

Current civil outlays for research and development are \$6.1 billion in 1971 and reflect a small decline from the 1970 level. The rate of decline in 1971 is 4.2%, as compared with 1.5% in 1970.

OUTLAYS OF A CURRENT NATURE

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

The current outlays portion of civil outlays are \$100 billion, an increase of \$8.4 billion from 1970. The rate of increase, however, declined from 15.2% in 1970 to 9.2% in 1971.

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

Only part of the Federal Government's aid to special groups is reflected in this classification, which is limited by definition to current expenses. For example, subsidies for the construction of private merchant ships are classified as additions to private assets. Similarly,

outlays for which the Federal Government 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 outlays or cannot be readily measured. Examples of such indirect benefits are preferential tax treatments.

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

The rate of growth of all classifications in this category has slowed down, except for aid to homeowners, tenants, and agriculture which show higher growth rates than in 1970. There is an 18% increase for agriculture as compared with 9.3% in 1970, and a 239% increase for homeowners and tenants. Significant areas of decline are business, \$1.1 billion, a reduction of \$0.9 billion from 1970, and a change from the 19.3% growth rate of 1970 to a cutback of 45.2% in 1971 and international aid, \$1.4 billion, reduced \$0.1 billion and accelerates the 1970 cutback rate of 4.9% to 9.4% in 1971. An area that continues at a high growth rate is welfare aid, which is expected to be \$7.9 billion in 1971, up by \$1.8 billion from 1970 and growing at a 29.4% rate, which is slightly smaller than the 30.1% rate of the 1970 budget.

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

A large part of the growth in current outlays is due to necessary increases for retirement and social insurance benefits. Outlays for these benefits are expected to exhibit a growth rate of 13% in 1971, and rise to \$49.2 billion. Social insurance benefits are now 38% of all outlays for civil purposes and 25% of the budget.

All of the retirement and social insurance categories exhibited an increase. Insurance benefits, \$43.1 billion, with a growth rate increasing from 11.7% to 13.1%. Unemployment benefits, \$2.9 billion, with a rate of growth declining from 34.6% in 1970 to 10.7% in 1971.

Other services and current operating outlays.—The outlays reported under this heading support a wide range of activities. They consist mainly of: pay and subsistence of military personnel; repair, maintenance, and operation of physical assets of the national military establishment and general purpose public buildings; conduct of foreign affairs; tax collection; payment of interest on the national debt; and operation and administration of other direct Federal programs not elsewhere classified. Other benefits and social insurance benefits, \$3.2 billion, slowing the rate of growth from 17.2% in 1970 to 14.2% in 1971.

UNCLASSIFIED

Certain transactions cannot be properly classified into any of the categories described above. The major examples of such transactions include revenue sharing and special allowances for: (1) pay increases and (2) unforeseen contingencies.

Interfund and intragovernmental receipts arise as a result of transactions between Government agencies or funds. These transactions occur entirely within Government accounts and are deducted from outlays to avoid double counting. In order to provide a measure of outlays by character, most interfund and intragovernmental receipts are allocated to a particular category whenever possible. Thus, for example, interest received by the social security and other trust funds is deducted from the *Interest* category in order to derive a measure of interest outlays affecting the public.

Government agency contributions for employee retirement, which help to finance retirement benefits, are deducted as a lump-sum unclassified amount. In addition, proprietary receipts from the public, arising from market-oriented or business-type activities of the Government, are unclassified and offset against total outlays to highlight the *net* impact of the budget.

RELATIONSHIP TO CAPITAL BUDGET

The U.S. Government does not produce a capital budget in the sense of a long-range program for the acquisition of assets, with separate financing of capital outlays. Some foreign governments and some State and local governments fund a portion of their capital expenditures by separate borrowing 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.

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

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

included in the total of outlays in the budget and in this analysis. All other receipts from the public arising from market-oriented or business-type activities of the Government are offset against total outlays.

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

Table D-2. SUMMARY OF INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS (in millions of dollars)

	Outlays		
	1969 actual	1970 estimate	1971 estimate
INVESTMENT-TYPE OUTLAYS			
Additions to Federal assets:			
Civil:			
Loans and other financial investments.....	3,374	4,122	2,013
Physical assets:			
Public works.....	2,186	2,426	2,961
Major commodity inventories.....	353	554	-77
Major equipment and other physical assets.....	370	410	495
National defense.....	26,645	23,830	21,140
Additions to State, local, and private assets:			
Civil.....	6,659	7,193	7,617
National defense.....	17	14	15
Developmental outlays:			
Civil.....	15,482	16,502	17,277
National defense.....	9,186	8,994	9,030
Subtotal, investment-type outlays:			
Civil.....	28,424	31,207	30,286
National defense.....	35,848	32,838	30,185
CURRENT OUTLAYS			
Current expenses for aids and special services:			
Civil.....	23,355	28,228	31,071
National defense.....	1,705	1,468	1,408
Retirement and social insurance benefits—civil.....	38,571	43,524	49,229
Other services and current operating expenses:			
Civil:			
Interest.....	16,716	18,940	19,142
Interest on Government capital in enterprises (—).....	-628	-808	-1,041
Interest on capital in enterprise (—).....	-11		
Interest received by trust funds (—).....	-3,099	-3,781	-4,273
Other.....	4,545	5,451	5,872
National defense.....	44,912	46,430	43,698
Subtotal, current outlays:			
Civil.....	79,448	91,554	100,000
National defense.....	46,617	47,898	45,106

See footnotes at end of table.

Table D-2. SUMMARY OF INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS (in millions of dollars)—Continued

	Outlays		
	1969 actual	1970 estimate	1971 estimate
UNCLASSIFIED ITEMS			
Payments to other funds	19	20	19
Allowances:			
Revenue sharing			275
Civilian and military pay increases		175	1,400
Contingencies		300	900
Employer share, employee retirement (-)	-2,018	-2,307	-2,366
Proprietary receipts from the public (-) ¹	-3,781	-3,800	-5,034
Total budget outlays	184,556	197,885	200,771

¹ Excludes loan repayments deposited in miscellaneous receipts and offset in the loan and expenditure account as follows:

	1969	1970	1971
Loan repayments offset in the loan account	-249	-232	-254
Repayments offset in the expenditure account (net of adjustments) ..	-161	-179	-250

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays			
ADDITIONS TO FEDERAL ASSETS			
Loans:			
Loan account—civil:			
To domestic and private borrowers:			
Department of Agriculture:			
Commodity Credit Corporation:			
Storage facilities loans	82	-2	-36
Export credit sales	3	31	28
Rural Electrification Administration	229	349	325
Farmers Home Administration:			
Direct loans	-18	-21	-28
Rural housing insurance	61	316	-695
Emergency credit revolving fund	9	-53	-10
Agricultural credit insurance	204	-30	-142
Other ¹	1	-4	-9
Soil Conservation Service	2	2	1
Department of Commerce:			
Economic development assistance: Industrial develop-			
ment loans and guarantees	24	52	32
Maritime Administration	-7	-9	-7
Department of Health, Education, and Welfare:			
Office of Education: Higher education facilities loans			
and other	52	59	76
Social and Rehabilitation Service	3	4	19
Department of Housing and Urban Development:			
Renewal and housing assistance:			
Rehabilitation loans	25	41	37
College housing	67	98	24

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Loans—Continued			
Loan account—civil—Continued			
To domestic and private borrowers—Continued			
Department of Housing and Urban Development—Con.			
Mortgage credit:			
Special assistance functions.....	442	509	550
Management and liquidating functions.....	114	-104	-196
Participation sales.....	-293		
Secondary market operations trust fund.....	177		
Federal Housing Administration.....	19	-4	60
Housing for the elderly or handicapped.....	79	54	39
Community disposal operations.....	1	-1	-1
Metropolitan development.....		2	*
General Services Administration: Surplus real property credit sales and other.....	6	28	22
Veterans Administration:			
Loan guaranty revolving fund.....	142	129	-203
Veterans direct loans.....	47	69	-74
National service life insurance.....	59	64	56
Other ¹	5	7	9
Civil Service Commission: Retirement and disability fund.....	-595		
Farm Credit Administration:			
Banks for cooperatives.....	123		
Federal intermediate credit banks.....	-278		
Railroad Retirement Board (trust fund).....	-50		
Small Business Administration:			
Business loans and investment.....	-11	46	57
Disaster loans.....	-6	158	38
Other agencies.....	25	-4	-7
Total to domestic and private borrowers.....	744	1,787	-36
To State and local governments:			
Department of Agriculture: Farmers Home Administration: Direct loans and other.....	63	66	25
Department of Commerce: Industrial development loans and guarantees.....	18	37	22
Department of Health, Education, and Welfare: Office of Education: Higher education facilities loans and other.....	40	31	34
Department of Housing and Urban Development:			
Renewal and housing assistance:			
Urban renewal fund.....	37	7	46
Low-rent public housing.....	13	*	12
College housing.....	82	66	47
Metropolitan development: Public facility loans and other.....	44	37	34
Department of Transportation:			
Federal Highway Administration: Right-of-way trust fund.....		40	35
Urban Mass Transportation Administration.....	*	5	*
District of Columbia: Capital outlay loans.....	65	103	146
Other agencies.....	11	7	7
Total to State and local governments.....	372	398	408
To foreign borrowers: Export-Import Bank.....	366	718	311
Total loan account—civil.....	1,481	2,902	683

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Loans—Continued			
Loan account—national defense: To domestic and private borrowers: Other agencies.....	-4	-2	*
Expenditure account—civil:			
To domestic and private borrowers:			
Department of Agriculture: Commodity Credit Corporation: Price support loans.....	400	-459	-428
Department of Health, Education, and Welfare: National Institutes of Health:			
Health manpower.....	23	18	25
Other.....	19	4	
Office of Education: Higher education.....	159	135	106
Other agencies.....	1	8	11
Total to domestic and private borrowers.....	602	-293	-286
To State and local governments: Other agencies.....	2	18	21
To foreign borrowers:			
Funds appropriated to the President: Economic assistance.....	931	851	807
Department of Agriculture: Commodity Credit Corporation: Public Law 480 credit sales.....	419	402	396
Other agencies.....	-3	-3	-1
Total to foreign borrowers.....	1,347	1,249	1,202
Total loan repayments deposited in miscellaneous receipt accounts (net of adjustments).....	-161	-168	-214
Total expenditure account—civil.....	1,789	806	723
Expenditure account—national defense:			
To domestic and private borrowers: Other agencies.....	-1	*	*
To foreign borrowers: Funds appropriated to the President: Military assistance.....	58	81	238
Total loan repayments deposited in miscellaneous receipt accounts.....		-11	-36
Total expenditure account—national defense.....	57	70	202
Total loans.....	3,322	3,776	1,608
Other financial investments—civil:			
Investments in quasi-public institutions, trust funds, and international institutions:			
Funds appropriated to the President:			
Inter-American Development Bank.....	74	150	185
International Development Association.....	36	90	90
Asian Development Bank.....	10	16	20
Provision for expanded multilateral assistance.....			40
Department of Labor.....	-4	-4	-3

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Other financial investments—civil—Continued			
Investments in quasi-public etc.—Continued			
Department of Transportation: Civil supersonic aircraft development.....	81	163	275
Farm Credit Administration:			
Short-term credit investment.....	-64	-----	-----
Banks for cooperatives investment.....	-28	-----	-----
Total investments in quasi-public institutions, trust funds and international institutions.....	105	415	607
Public works—sites and direct construction:			
Civil:			
Department of agriculture:			
Forest Service:			
Roads and trails.....	88	102	122
Other ¹	16	18	18
Other.....	11	12	9
Department of Defense—Civil:			
Corps of Engineers:			
Construction, general.....	771	752	898
Flood control, Mississippi River and tributaries.....	45	44	55
Construction, local funds (trust funds).....	25	18	30
Other ¹	23	20	19
Department of Health, Education, and Welfare:			
Indian health facilities.....	14	23	22
Other ¹	21	36	28
Department of the Interior:			
Bureau of Indian Affairs:			
Construction: Schools and other.....	29	40	40
Road construction.....	19	21	20
National Park Service ¹	42	38	33
Bureau of Reclamation:			
Construction and rehabilitation.....	165	135	197
Upper Colorado River storage project.....	30	28	18
Other ¹	6	12	9
Bonneville Power Administration ¹	109	98	94
Other.....	24	40	35
Post Office Department.....	37	93	165
Department of Transportation:			
Coast Guard: Acquisition, construction, and improvements.....	46	41	36
Federal Aviation Administration.....	72	134	246
Other.....	1	*	1
General Services Administration: Public buildings.....	130	143	162
National Aeronautics and Space Administration.....	65	60	72
Veterans Administration: Hospitals and other.....	58	93	71
Tennessee Valley Authority.....	278	364	496
Other agencies.....	60	59	66
Total public works, civil.....	2,186	2,426	2,961

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Public works—sites and direct construction—Continued			
National defense:			
Department of Defense—Military:			
Military construction.....	1,365	1,093	1,116
Family housing.....	136	150	131
Other.....	2	2	2
Atomic Energy Commission.....	243	293	275
Total public works, national defense.....	1,746	1,538	1,525
Total public works—sites and direct construction.....	3,932	3,964	4,486
Major commodity inventories:			
Civil:			
Department of Agriculture: Commodity Credit Corporation.....	337	500	-119
Department of the Interior: Helium fund.....	16	53	42
Total major commodity inventories, civil.....	353	554	-77
National defense:			
Funds appropriated to the President: Expansion of defense production.....	169	21	-157
Other agencies.....	26	25	28
Total major commodity inventories, national defense.....	195	46	-129
Total major commodity inventories.....	548	599	-205
Major equipment:			
Civil:			
Department of Commerce:			
Environmental science services administration: Satellite operations and other.....	25	24	21
Other.....	1	2	1
Post Office Department.....	101	148	159
Department of Transportation:			
Coast Guard.....	52	51	57
Federal Aviation Administration.....	4		
Other agencies.....	5	14	23
Total major equipment, civil.....	187	239	261
National defense:			
Department of Defense—Military: Procurement.....	23,988	21,550	18,904
Atomic Energy Commission.....	168	180	188
Total major equipment, national defense.....	24,156	21,730	19,092
Total major equipment.....	24,343	21,969	19,353

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Other physical assets—acquisition and improvement:			
Civil:			
Department of Agriculture: Reforestation and range improvements and other.....	44	59	67
Department of Housing and Urban Development: Mortgage credit and other.....	74	50	60
Department of the Interior:			
Land and water conservation.....	78	107	159
Other ¹	34	28	38
General Services Administration:			
Sale of fixed assets—surplus real property credit sales....	-28	-45	-52
Real property activities.....	2	2	2
Veterans Administration.....	-12	-16	-28
Other agencies ¹	-10	-15	-12
Total other physical assets, civil.....	183	171	234
National defense:			
Department of Defense—Military.....	5	5	1
Atomic Energy Commission.....	490	444	449
Total other physical assets, national defense.....	495	448	450
Total other physical assets—acquisition and improvement.....	678	620	683
Total additions to Federal assets.....	32,928	31,342	26,532
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS			
State and local assets:			
Civil:			
Funds appropriated to the President:			
Appalachian regional development.....	138	204	222
Public works acceleration.....	2	4	
Department of Agriculture:			
Watershed improvement.....	59	75	78
Flood prevention.....	22	23	25
Rural water and waste disposal grants.....	24	34	31
Other.....	12	15	17
Department of Commerce: Economic development facilities and other.....	126	137	156
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration:			
Medical facilities construction.....	104	114	112
Other.....	14	17	18
National Institutes of Health: Construction of health educational research, and library facilities.....	53	127	130
Office of Education:			
Elementary and secondary education.....	20	33	27
Higher education.....	247	244	237
Other.....	26	28	14
Social and Rehabilitation Service.....	*	9	17
Department of Housing and Urban Development:			
Renewal and housing assistance: Grants for neighborhood facilities.....	11	26	38

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued			
State and local assets—Continued			
Civil—Continued			
Department of Housing and Urban Development—Con.			
Metropolitan development:			
Grants for basic water and sewer facilities.....	80	119	146
Open space land programs.....	43	55	71
New community assistance.....		1	2
Department of the Interior:			
Construction grants for waste treatment works and other pollution control.....	139	166	366
Land and water conservation.....	44	73	89
Administration of territories.....	17	23	32
Other.....	1	3	7
Department of Transportation:			
Federal Aviation Administration: Airways and airports...	104	92	139
Federal Highway Administration:			
Highway trust fund.....	4,067	4,335	4,252
State and community highway safety programs.....	18	64	63
Forest highways.....	31	24	18
Other ¹	8	12	19
Urban Mass Transportation Administration.....	136	130	257
Intergovernmental agencies: Federal contribution, Washington Metropolitan Area Transit Authority.....	6	20	122
Other agencies.....	19	27	31
Total State and local assets, civil.....	5,571	6,234	6,736
National defense: Department of Defense—Military.....	16	14	15
Total State and local assets.....	5,588	6,248	6,751
Private assets:			
Civil:			
Funds appropriated to the President: Appalachian regional development programs.....	18	33	26
Department of Agriculture:			
Soil conservation.....	133	144	147
Agricultural stabilization and conservation.....	396	313	266
Other.....	-1	-2	-26
Department of Commerce: Ship construction.....	97	90	112
Department of Defense—Civil: Columbia River flood control.....	52	*	-----
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration:			
Mental health.....	15	17	17
Medical facilities construction.....	150	158	137
National Institutes of Health.....	84	69	72
Office of Education: Higher education and research and training.....	69	67	67
Other.....	7	12	25
National Science Foundation.....	56	36	24

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued			
Private assets—Continued			
Civil—Continued			
Other agencies.....	12	21	12
Total private assets, civil.....	1,088	959	881
National defense: Atomic Energy Commission (trust fund).....	1	*	*
Total private assets.....	1,088	959	881
Total additions to State, local, and private assets.....	6,676	7,207	7,633
OTHER DEVELOPMENTAL EXPENDITURES			
Education, training, and health:			
Civil:			
Funds appropriated to the President:			
Appalachian regional development programs.....	3	10	23
Economic opportunity program.....	1,232	1,290	700
Department of Agriculture: Extension service.....	97	130	171
Department of Health, Education, and Welfare:			
Consumer Protection and Environmental Health Service:			
Environmental and air pollution control.....	29	38	43
Other.....	11	8	6
Health Services and Mental Health Administration:			
Mental health.....	134	157	169
Health services research and development.....	35	20	5
Comprehensive health planning and services.....	127	181	215
Maternal and child health.....	242	214	234
Regional medical programs.....	46	79	91
Communicable diseases.....	37	22	25
Indian health services.....	92	101	110
Chronic diseases.....	30	17	11
Other.....	20	20	19
National Institutes of Health:			
National Heart and Lung Institute.....	25	23	23
National Institute of General Medical Sciences.....	62	64	62
Health manpower.....	76	109	159
National Library of Medicine.....	17	25	22
National Institute of Neurological Diseases and Stroke.....	21	20	18
Other.....	67	89	96
Office of Education:			
Elementary and secondary education.....	1,808	1,757	1,789
Education for the handicapped.....	44	55	58
Vocational and adult education.....	260	261	322
Higher education.....	440	567	711
Education professions development.....	30	181	138
Community education.....	93	119	75
Salaries and expenses.....	42	43	46
Civil rights education.....	8	14	26
Other.....	39	35	30

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Continued			
Education, training, and health—Continued			
Civil—Continued			
Department of Health, Education, and Welfare—Continued			
Social and Rehabilitation Service:			
Grants to States for public assistance	2,315	2,644	2,892
Rehabilitation services and facilities	350	487	540
Research and training	29	28	30
Assistance to refugees in the United States	17	18	25
Other	1	2	2
Social Security Administration	17	21	24
Other ¹	24	32	40
Department of Housing and Urban Development:			
College housing fund: Interest subsidies	53	61	79
Other	*	5	5
Department of the Interior:			
Bureau of Indian Affairs: Education and welfare services ..	117	148	167
Other	14	14	17
Department of Labor: Manpower Administration:			
Manpower training activities: Grants and contracts	374	412	1,322
Manpower Administration operating expenses and other ..	26	36	39
Veterans Administration: Medical care and other	77	92	99
National Foundation on the Arts and the Humanities ¹	12	23	40
National Science Foundation	148	148	143
Other agencies ¹	61	84	93
Total education, training, and health, civil	8,805	9,906	10,956
National Defense: Atomic Energy Commission and other	18	17	15
Total education, training, and health	8,822	9,923	10,971
Research and development:			
Civil:			
Funds appropriated to the President:			
Economic opportunity program	17	38	60
Other	11	20	24
Department of Agriculture:			
Agriculture Research Service ¹	156	156	161
Cooperative State Research Service	58	61	72
Forest Service	40	43	47
Other ¹	18	22	23
Department of Commerce:			
Environmental Science Services Administration	26	28	29
National Bureau of Standards	28	30	30
Other	17	18	19
Department of Health, Education, and Welfare:			
Consumer Protection and Environmental Health Service:			
Air pollution control	24	41	51
Other	34	46	47
Health Services and Mental Health Administration:			
Mental health	100	112	116
Health services research and development	11	35	44
Other	45	44	42
National Institutes of Health	859	881	906

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Continued			
Research and development—Continued			
Civil—Continued			
Department of Health, Education, and Welfare—Continued			
Office of Education: Research and training and other.....	93	97	99
Social and Rehabilitation Service: Research and training and other.....	40	41	52
Social Security Administration.....	6	7	8
Department of Housing and Urban Development.....	9	18	26
Department of the Interior:			
Geological Survey.....	35	39	40
Bureau of Mines: Development of mineral resources and other ¹	36	44	57
Bureau of Commercial Fisheries.....	30	23	32
Office of Saline Water: Saline water conversion.....	26	26	22
Federal Water Pollution Control Administration.....	25	31	34
Other ¹	44	45	53
Post Office Department.....	21	27	41
Department of Transportation:			
Federal Aviation Administration.....	43	52	60
Federal Highway Administration.....	27	39	53
Other.....	26	60	64
National Aeronautics and Space Administration.....	4,187	3,832	3,343
Veterans Administration.....	51	59	61
National Science Foundation ¹	280	300	320
Other agencies ¹	68	71	87
Total research and development, civil.....	6,492	6,392	6,124
National defense:			
Department of Defense—Military:			
Military personnel.....	295	322	306
Research, development, test, and evaluation.....	7,457	7,300	7,382
Other.....	10	7	8
Atomic Energy Commission.....	1,406	1,348	1,372
Total research and development, national defense.....	9,168	8,977	9,015
Total research and development.....	15,660	15,369	15,138
Engineering and natural resources surveys—civil:			
Department of Defense—Civil: Corps of Engineers.....	27	36	30
Department of the Interior:			
Geological Survey.....	49	51	56
Federal Water Pollution Control Administration.....	24	26	29
Other ¹	47	50	45
Other agencies ¹	47	50	48
Intragovernmental transactions (—).....	—9	—8	—12
Total engineering and natural resources surveys.....	185	205	197
Total other developmental expenditures.....	24,668	25,496	26,307
Total investment-type outlays.....	64,272	64,045	60,471

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES			
Agriculture—civil:			
Department of Agriculture:			
Consumer and Marketing Service:			
Removal of surplus agricultural commodities	415	471	462
Other ¹	53	59	56
Foreign Agricultural Service	24	25	28
Agricultural Stabilization and Conservation Service:			
Sugar Act program	87	93	88
Other	147	152	133
Commodity Credit Corporation:			
Price support and related programs	3,296	3,500	4,286
National Wool Act	68	58	65
Other	6	18	9
Rural Electrification Administration: Loans and other	85	20	15
Farmers Home Administration ¹	9	117	195
Other ¹	63	65	64
Farm Credit Administration ¹	-57	—*	—
Other agencies	12	13	14
Intragovernmental transactions (—)	-6	-3	—
Total agriculture	4,200	4,589	5,415
Business—civil:			
Department of Commerce:			
Bureau of the Census	25	22	24
Patent Office	42	47	49
Maritime Administration:			
Ship operation subsidies	195	206	193
Other	4	9	11
Other ¹	62	72	75
Department of Defense—Civil:			
Corps of Engineers: Operation and maintenance	136	170	192
The Panama Canal	-25	-19	-16
Post Office Department	57	200	-787
Department of Transportation:			
Coast Guard: Navigation aids and other ¹	349	380	374
Federal Aviation Administration: Operations and other	639	746	844
Other ¹	6	6	8
Civil Aeronautics Board: Payments to air carriers	44	37	31
Small Business Administration: Business loans and investments and other	138	79	91
Other agencies	-1	38	15
Federal interfund transactions (—)	-15	-19	-22
Total business	1,655	1,975	1,082
Labor—civil:			
Department of Health, Education, and Welfare: Work incentives	29	99	124
Department of the Interior: Bureau of Mines: Health and safety	9	16	34
Department of Labor:			
Manpower Administration: Unemployment trust fund and other ¹	618	696	759
Other	69	71	79

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Labor civil—Continued			
Equal Employment Opportunity Commission.....	9	13	18
Total labor.....	733	895	1,013
Homeowners and tenants—civil:			
Funds appropriated to the President.....	-1	1	1
Department of Housing and Urban Development:			
Renewal and housing assistance:			
Rehabilitation loans.....	-1	-1	-2
Low-rent public housing.....	339	457	634
Mortgage credit:			
Rent supplement program.....	5	19	41
Homeownership and rental housing assistance.....	1	19	102
Federal Housing Administration fund.....	-226	-246	-280
Special assistance functions.....	-11	36	67
Secondary market operations (trust fund).....	-194		
Other.....	-29	-13	-23
Federal Insurance Administration.....	-33	-19	—*
Other.....	21	27	35
Federal Home Loan Bank Board.....	-308	-143	-111
Intragovernmental transactions (—).....	-13		
Total homeowners and tenants.....	-450	137	464
Veterans—civil:			
Department of Defense—Civil.....	22	24	26
Veterans Administration:			
Compensation and pensions.....	4,899	5,292	5,342
Readjustment benefits.....	681	974	1,179
Medical care.....	1,363	1,523	1,543
General operating expenses.....	205	236	238
Veterans reopened insurance fund.....	-36	-37	-37
Veterans special term insurance fund.....	-35	-35	-35
National service life insurance fund.....	568	594	620
United States Government life insurance fund.....	78	82	80
Other ¹	11	12	25
Other agencies.....	28	24	20
Intragovernmental transactions (—).....	-234	-129	-130
Total veterans.....	7,551	8,559	8,870
International aids:			
Civil:			
Funds appropriated to the President:			
Economic assistance ¹	991	892	890
Private investment assistance.....			-16
Peace Corps ¹	105	101	100
Department of Agriculture: Commodity Credit Corporation:			
Public Law 480 donations of agricultural commodities and other.....	555	569	456

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
International aids—Continued			
Civil—Continued			
Export-Import Bank of the United States	-120	-117	-116
Other agencies ¹	37	47	37
Total international aids, civil	1,569	1,492	1,352
National defense: Funds appropriated to the President:			
Military assistance ¹	1,690	1,445	1,381
Department of Defense—Military: Military construction	15	24	27
Total international aids, national defense	1,705	1,468	1,408
Total international aids	3,274	2,960	2,760
Welfare aids—civil:			
Funds appropriated to the President: Disaster relief	20	145	115
Department of Agriculture:			
Special milk program	102	81	17
Child nutrition programs	237	302	314
Food stamp program	248	575	1,249
Department of Health, Education, and Welfare:			
Social and Rehabilitation Service:			
Grants to States for public assistance	3,961	4,831	5,379
Programs for the aging	16	28	27
Assistance to refugees in the United States	47	62	79
Other	27	42	47
Social Security Administration: Special benefits for disabled coal miners		20	150
Family assistance legislation			500
Department of the Interior: Bureau of Indian Affairs: Education and welfare services	30	42	51
Total welfare aids	4,689	6,128	7,928
Other aids and special services—civil:			
Funds appropriated to the President:			
Appalachian regional development programs	4	5	6
Economic opportunity program ¹	560	502	521
Department of Agriculture: Forest Service	21	25	24
Department of Commerce: Bureau of the Census: Nineteenth decennial census and other ¹	22	137	65
Economic development assistance	45	52	53
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration:			
Patient care and special health services	68	73	77
Mental health	23	25	28
Other ¹	11	14	15
Social and Rehabilitation Service: Work incentives	4	39	75

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Other aids and special services—civil—Continued			
Department of Health, Education, and Welfare—Continued			
Social Security Administration:			
Payment to social security trust funds.....	2,147	2,004	2,589
Federal old-age and survivors insurance trust fund.....	454	484	516
Federal disability insurance trust fund.....	131	155	164
Federal hospital insurance trust fund.....	104	145	133
Federal supplementary medical insurance trust fund.....	194	214	234
Other.....	*	*	*
Other.....	43	54	70
Department of Housing and Urban Development:			
Renewal and housing assistance: Urban renewal fund.....	535	1,042	1,036
Comprehensive planning grants and other metropolitan development.....	39	52	53
Model Cities programs.....	15	300	530
Departmental management and other.....	35	49	56
Department of the Interior:			
Bureau of Indian Affairs:			
Resources management.....	55	60	67
Tribal funds (trust funds).....	109	86	66
Other ¹	18	15	15
Other.....	2	3	3
Post Office Department.....	704	779	803
Department of Transportation:			
Federal Highway Administration:			
Highway Beautification.....	21	23	25
Highway trust fund.....	62	66	81
Other.....	18	20	23
Other ¹	10	18	28
Railroad Retirement Board.....	15	17	147
Other agencies ¹	15	19	21
Intragovernmental transactions (—).....	-2,076	-2,025	-2,581
Total other aids and special services.....	3,408	4,454	4,947
Total current expenses for aids and special services.....	25,060	29,696	32,479
RETIREMENT AND SOCIAL INSURANCE BENEFITS			
Insurance benefits—civil:			
Department of Health, Education, and Welfare:			
Federal old-age and survivors insurance trust fund.....	23,732	26,356	29,706
Federal disability insurance trust fund.....	2,443	2,798	3,191
Federal hospital insurance trust fund.....	4,654	5,225	6,325
Federal supplementary medical insurance trust fund.....	1,645	1,949	2,078
Department of Labor: Unemployment trust fund.....	97	93	94
Railroad Retirement Board (trust fund).....	1,533	1,663	1,669
Total insurance benefits.....	34,104	38,084	43,063
Unemployment benefits—civil: Department of Labor: Unemployment trust fund.....	2,061	2,620	2,947

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays—Continued			
RETIREMENT AND SOCIAL INSURANCE BENEFITS—Continued			
Other retirement and social insurance benefits—civil:			
Civil Service Commission: Civil service retirement and disability fund.....	2,401	2,803	3,200
Other trust funds.....	15	18	21
Trust interfund transactions (—).....	—10	—1	—1
Total other retirement and social insurance benefits.....	2,406	2,820	3,219
Total retirement and social insurance benefits.....	38,571	43,524	49,229
OTHER SERVICES AND CURRENT OPERATING EXPENSES			
Repair, maintenance, and operation of physical assets (excluding special services):			
Civil:			
Department of Agriculture: Forest Service ¹	207	225	224
Department of Defense—Civil: Corps of Engineers and other.....	137	148	133
Department of the Interior:			
Bureau of Land Management ¹	40	50	29
National Park Service ¹	86	102	105
Bureau of Reclamation ¹	64	73	76
Other.....	40	48	49
General Services Administration: Public buildings.....	311	362	375
Tennessee Valley Authority.....	—126	—180	—116
Other agencies ¹	64	61	61
Total repair, maintenance, and operation of physical assets, civil.....	822	888	937
National defense:			
Department of Defense—Military:			
Operation and maintenance.....	22,185	21,461	19,611
Family housing.....	336	382	411
Atomic Energy Commission.....	122	173	157
General Services Administration.....	*	*	*
Total repair, maintenance, and operation of physical assets, national defense.....	22,644	22,016	20,179
Total repair, maintenance, and operation of physical assets.....	23,466	22,904	21,116
Regulation and control—civil:			
The Judiciary.....	109	129	134
Department of Agriculture:			
Agricultural Research Service ¹	85	89	93
Consumer and Marketing Service ¹	92	118	127
Other.....	4	6	6

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Regulation and control—civil—Continued			
Department of Health, Education, and Welfare:			
Consumer Protection and Environmental Health Service:			
Food and drug control.....	53	52	60
Air pollution control and other.....	22	28	41
Other.....	2	2	2
Department of Justice:			
Legal activities and general administration.....	85	104	113
Federal Bureau of Investigation.....	214	242	251
Immigration and Naturalization Service.....	90	102	109
Federal Prison System ¹	51	59	66
Law Enforcement Assistance Administration.....	22	152	320
Bureau of Narcotics and Dangerous Drugs.....	16	26	31
Department of Transportation:			
Coast Guard.....	43	48	55
Federal Aviation Administration.....	46	56	62
Other.....	6	7	8
Treasury Department:			
Bureau of Customs ¹	14	22	25
Secret Service.....	23	32	43
Other ¹	-2	-3	-2
Federal Deposit Insurance Corporation (trust fund).....	-313	-333	-359
Interstate Commerce Commission.....	25	27	26
National Labor Relations Board.....	34	38	37
Other agencies ¹	132	153	163
Total regulation and control.....	854	1,154	1,408
Other operation and administration:			
Civil:			
International activities:			
Department of State:			
Administration of foreign affairs ¹	214	226	226
International organizations and conferences ¹	127	139	155
Educational exchange ¹	41	34	38
Other.....	2	2	2
United States Information Agency ¹	176	185	188
Other agencies.....	12	8	9
Total international activities.....	572	594	617
Federal financial activities:			
Legislative branch: General Accounting Office.....	59	69	74
Treasury Department:			
Bureau of Accounts ¹	46	46	47
Bureau of Customs.....	95	113	125
Bureau of the Mint.....	16	21	26
Bureau of the Public Debt.....	57	64	68
Internal Revenue Service.....	746	848	904
Other.....	15	19	18
Other agencies.....	-4	-2	-4
Total Federal financial activities.....	1,029	1,177	1,257

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration—Continued			
Civil—Continued			
Other direct Federal programs:			
Legislative branch ¹	204	247	262
Executive Office of the President.....	26	34	40
Department of Commerce:			
Environmental Science Services Administration ¹	103	113	119
National Bureau of Standards.....	6	11	12
Department of Defense—Civil.....	60	67	70
Department of the Interior ¹	44	52	56
Treasury Department: Bureau of Accounts and other ¹	62	156	66
General Services Administration ¹	146	142	120
Civil Service Commission:			
Salaries and expenses and other ¹	25	65	56
Employees life insurance trust fund.....	-152	-147	-154
Retired employees' health benefits trust fund.....	1	-26	-2
Other agencies ¹	9	13	14
Intrabudgetary transactions (-).....	—*		
Total other direct Federal programs.....	536	726	661
Retirement, unemployment, and accident compensation for Federal employees:			
Department of Labor:			
Unemployment compensation for Federal employees and ex-servicemen and trade adjustment activities.....	126	185	200
Employees' compensation claims and expenses.....	67	81	85
Department of Transportation: Coast Guard: Retired pay.....	53	60	64
Civil Service Commission: Special payments and annuities.....	114	115	284
Other agencies.....	14	16	20
Intragovernmental transactions (-).....	-72	-73	-236
Total retirement, unemployment, and accident com- pensation for Federal employees.....	302	384	417
Shared revenues and grants-in-aid:			
Department of Agriculture: Forest Service.....	53	79	87
Department of the Interior:			
Bureau of Land Management.....	78	88	92
Office of Territories.....	43	46	52
Bureau of Sport Fisheries and Wildlife.....	31	33	49
Other.....	1	1	1
Treasury Department:			
Bureau of Customs.....	35	43	49
Internal Revenue Service.....	80	87	87
District of Columbia: Federal payment.....	85	127	133
Other agencies.....	23	24	28
Total shared revenues and grants-in-aid.....	429	528	576
Total other operation and administration, civil.....	2,868	3,409	3,528

See footnotes at end of table.

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

Description	1969 actual	1970 estimate	1971 estimate
Current Outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration—Continued			
National defense:			
Department of Defense—Military:			
Military personnel.....	21,078	21,979	20,605
Retired pay, defense.....	2,444	2,857	3,193
Operation and maintenance.....	42	39	39
Family housing.....	94	93	80
Civil defense.....	65	58	58
Other ¹	-1,523	-693	-537
Selective Service System.....	65	74	75
Other agencies ¹	9	13	11
Intragovernmental transactions (-).....	-8	-7	-7
Total operation and administration, national defense.....	22,268	24,414	23,519
Total other operation and administration.....	25,136	27,824	27,047
Interest:			
On the public debt.....	16,588	18,800	19,000
Other interest:			
On refunds:			
Department of the Interior.....	1	1	1
Treasury Department.....	120	128	128
On uninvested funds: Treasury Department.....	7	11	13
Total other interest.....	128	140	142
Intrabudgetary transactions (-): ¹			
Interest on Government capital in enterprises (-).....	-628	-808	-1,041
Interest on other capital in enterprises.....	-11		
Interest received by trust funds (-).....	-3,099	-3,781	-4,273
Total interest.....	12,977	14,351	13,827
Total other services and current operating expenses.....	62,434	66,232	63,398
Total current outlays.....	126,065	139,452	145,106
UNCLASSIFIED			
Payments to other funds ¹	19	20	19
Allowances for:			
Revenue sharing.....			275
Civilian and military pay increases.....		175	1,400
Contingencies.....		300	900
Employer share, employee retirement (-).....	-2,018	-2,307	-2,366
Proprietary receipts from the public (-) ²	-3,781	-3,800	-5,034
Total budget outlays.....	184,556	197,885	200,771

*Less than \$500 thousand.

¹ Includes both Federal funds and trust funds.² Excludes loan repayments deposited in miscellaneous receipts and offset in the loan and expenditure accounts as follows:

	1969	1970	1971
Loan repayments offset in the loan account.....	-249	-232	-254
Repayments offset in the expenditure account.....	-161	-179	-250

SPECIAL ANALYSIS E

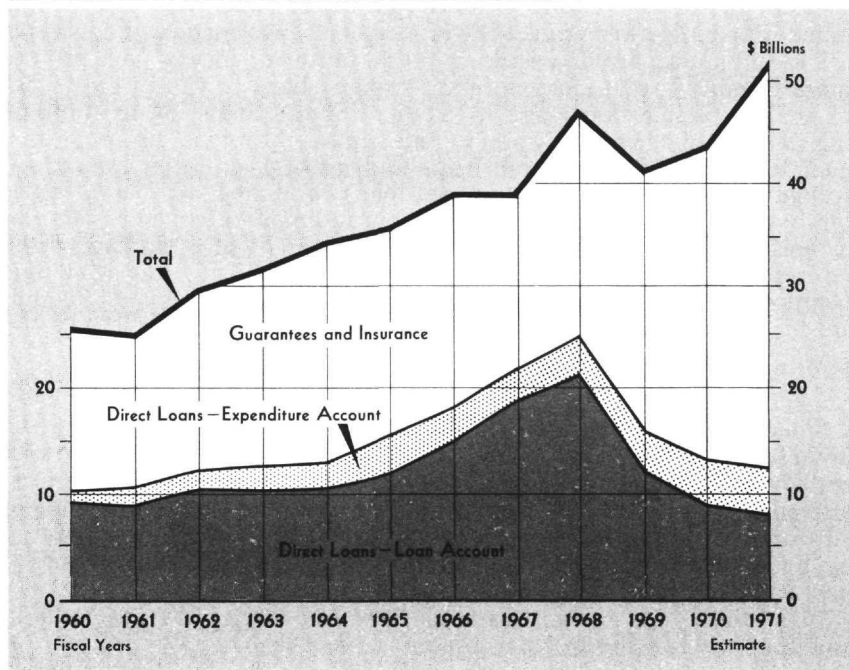
FEDERAL CREDIT PROGRAMS

INTRODUCTION

Direct loans and Federal insurance or guarantees of private loans continue to 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. In addition, Government-sponsored private lending agencies provide major credit assistance in the first two of these areas.

Federal Credit Programs

New Commitments for Direct Loans and Guaranteed and Insured Loans



Federal credit programs help borrowers to help themselves. In several programs, credit aids are part of a package of Federal assistance. Such a package sometimes also includes, 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 productively.

From 1961 through 1968, the overall level of Federal credit assistance—measured by the volume of direct loans and of guarantees and insurance of private loans—rose steadily at a rate comparable to the rise in the gross national product. This reflected both broadening of many existing programs and initiation of new programs to meet emerging needs.

During the fiscal year 1969 the Secondary Market Operations Trust Fund of the Federal National Mortgage Association, the Federal intermediate credit banks and the banks for cooperatives were converted from mixed-ownership to wholly private enterprises. As a result, only part of their operations in 1969 and none in 1970 or 1971 are included in the budget. Tables E-1, E-2, and E-3 reflect in total and detail the impact of this shift from public to private status.

The increasing emphasis on private financing has also caused major changes in the package of credit assistance made available in recent years. These changes would be extended still further by proposed legislation. Instead of relying primarily on direct loans with their major immediate budgetary impact, Federal agencies are encouraging greater private financing by undertaking to guarantee or insure such private funds against loss, to pay a large enough share of the interest cost to enable eligible borrowers to qualify for the loans, or to combine the two approaches. Examples of this approach in existing programs, include: (a) federally insured loans and interest subsidies for college students; (b) insured or guaranteed loans combined with supplementary payments to finance housing for low and moderate income families in both urban and rural areas; and (c) payment of a portion of the interest on privately financed loans for college housing and academic facilities. Other current proposals to apply this approach to Federal aid for other groups are mentioned later in this analysis.

SCOPE OF SPECIAL ANALYSIS

This analysis: (a) summarizes 1969-71 trends in Federal credit programs; (b) indicates the relationship between the credit programs and overall budget totals; and (c) discusses certain subsidy aspects of credit programs. It provides information on the level and trends of all direct loan and loan guarantee and insurance programs operated by Federal agencies and trust funds—including both currently active programs and programs in process of liquidation.

In addition, a final table summarizes net changes in outstanding amounts both of direct Federal loans (included in the budget) and of guaranteed and insured loans and loans made by Government-sponsored agencies (not reflected in budget outlays).

The principal disbursements and repayments of most of the direct Federal loans covered by this analysis are included in the loan account. In addition, in line with the recommendations of the 1967 Commission on Budget Concepts, two specific types of direct loan programs, accounting for about one-third of direct loan commitments in 1970 and 1971, are reflected in the expenditure account; these programs comprise: (a) foreign loans made largely on noncommercial terms; and (b) other loans where the terms of the loan contract make repayment in certain respects contingent rather than mandatory. Disbursements, repayments, and net outlays for each appropriation and fund account which finance these programs are listed in a table in the Appendix.¹ In the case of programs in the loan account, net lending is also separately identified, for each applicable account, in Part 5 of the budget.

As in previous years, the analysis excludes all borrowing operations of Federal agencies, whether from the Treasury or the public. Sales of certificates of participation in pools of loans by the Export-Import Bank and by the Government National Mortgage Association as trustee for several agencies are treated as borrowing. Similarly, beginning with the fiscal year 1970, sales of certificates of interest by the Commodity Credit Corporation, formerly classified as sales of guaranteed loans, are treated as agency borrowing.

The tables in the 1971 analysis include only data on loans that are both disbursed and repayable in dollars. The 1970 analysis had also included loans disbursed in dollars but repayable in foreign currency. The change in the analysis is in line with current policy which requires that on all new commitments loans disbursed in dollars be repaid in dollars.²

The 1971 analysis covers credit programs administered by 10 departments and 12 other agencies. The estimates for 1970 and 1971 include credit aid authorized by legislation enacted during the past year. Such legislation, summarized in the last section of this analysis,³ authorized several important changes in Federal credit programs.

The analysis also reflects the impact on credit programs of proposed legislation: (a) authorizing direct loans, loan guarantees, and interest subsidies to help finance modernization and construction of medical facilities; (b) substituting federally supported borrowing from the public in place of direct Federal loans to finance public works and other capital outlays by the District of Columbia; (c) permitting sales of direct loans by the Veterans Administration at prices consistent with market yields; and (d) expanding ship mortgage insurance as part of the program to revitalize the Merchant Marine. Credit assistance would also be provided in unspecified amounts under other proposals: (e) authorizing loans for advance acquisition of necessary land for urban mass transportation projects; (f) establishing a Rural Telephone Bank and authorizing more flexible interest rates for future direct

¹ See appendix, pp. 1081-84.

² The level and trends in direct loans of Government agencies disbursed or repayable in foreign currencies are as follows (in millions of dollars):

	1969	1970	1971
Outstanding, start of year (dollar equivalent)	5,629	5,825	5,850
Disbursements	334	175	117
Repayments—dollars	12	7	7
Repayments—local currencies	125	142	159
Net disbursements	196	25	-50
Outstanding, end of year	5,825	5,850	5,801

³ See pp. 79-80.

loans to rural telephone borrowers; (g) authorizing Farmers Home Administration to insure taxable obligations and pay interest subsidies on borrowing by public agencies; and (h) establishing an environmental financing authority.

NEW COMMITMENTS

New commitments are the best single measure of short-run trends in most Federal credit programs. They also often give the best advance indication of trends in the financing impact of these programs, since changes in the level of new commitments frequently 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, commitments that do not later result in actual credit extensions, and the unguaranteed portions of loans partially covered by Federal guarantees.

Direct loans.—New commitments for direct loans fall from \$15.9 billion in 1969 to \$13.3 billion in 1970 and to \$12.3 billion in 1971. The sharp drop from 1969 to 1970 reflects primarily (a) the conversion to private ownership of the three major groups of Federal agencies with 1969 commitments of \$4.7 billion and (b) nonrecurring 1969 loans of \$1.7 billion to the newly private FNMA—all of which were repaid by the end of the fiscal year. On the other hand, commitments of the Export-Import Bank are expected to rise by \$1.9 billion in 1970 and by another \$0.6 billion in 1971.

Guarantees and insurance.—New commitments for guarantees and insurance of private loans are expected to rise rapidly from \$25.3 billion in 1969 to \$30.2 billion in 1970 and \$39.1 billion in 1971.

The 2-year increase is primarily attributable to expansion in the volume of mortgage insurance commitments by the Federal Housing Administration (\$6.6 billion), the Veterans Administration (\$1.3 billion), and the Farmers Home Administration (\$0.9 billion). These increases, almost entirely for housing purposes, will be made possible in part by the extensive purchases of such obligations by the privately owned FNMA, in both 1970 and 1971, and by the somewhat easier credit conditions anticipated in 1971.

In addition, guarantee commitments in urban renewal and public housing programs are expected to rise by \$1.2 billion, primarily to accelerate expansion of low-rent public housing construction. Under authority provided in 1968, GNMA expects to guarantee \$0.5 billion in 1970 and \$1 billion in 1971 in private securities backed by insured housing loans. Outside the housing field, the Export-Import Bank plans by 1971 almost to double the \$1.7 billion of commitments made for guaranteed loans in 1969.

Table E-1. NEW COMMITMENTS FOR FEDERAL CREDIT PROGRAMS
CLASSIFIED BY TYPE OF ASSISTANCE AND ACCOUNT (in millions of dollars)

Agency or program	1969 actual		1970 estimate		1971 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
EXPENDITURE ACCOUNT						
Funds appropriated to the President:						
Military assistance.....	226	55	250	100	235	150
Economic assistance ¹	723	216	859	295	1,161	535
Agriculture:						
Commodity Credit Corporation.....	2,647	666	3,057	-----	2,715	-----
Health, Education, and Welfare.....	225	-----	189	-----	164	-----
Other programs.....	15	-----	32	-----	36	-----
Total, expenditure account.....	3,837	937	4,387	395	4,311	685
LOAN ACCOUNT						
Funds appropriated to the President:						
Office of Economic Opportunity.....	13	-----	19	-----	14	-----
Agriculture:						
Commodity Credit Corporation.....	221	-----	223	-----	212	-----
Rural Electrification Administration.....	470	-----	470	-----	470	-----
Farmers Home Administration.....	489	895	433	1,136	415	1,779
Commerce:						
Economic Development Administration.....	76	10	71	14	94	24
Maritime Administration.....	1	142	-----	200	-----	300
Health, Education, and Welfare.....	14	687	23	794	35	1,125
Housing and Urban Development:						
Renewal and Housing Assistance.....	681	1,987	718	2,817	636	3,209
Metropolitan Development.....	45	-----	42	150	42	250
Federal Housing Administration.....	355	14,429	193	16,742	188	21,063
Government National Mortgage Association.....	2,557	-----	1,516	500	851	1,000
Federal National Mortgage Association.....	782	-----	-----	-----	-----	-----
Interior.....	14	4	17	6	17	6
General Services Administration.....	28	-----	45	-----	52	-----
Veterans Administration:						
Housing loans and guarantees.....	359	4,017	441	4,200	455	5,300
Insurance policy loans.....	150	-----	158	-----	153	-----
District of Columbia.....	110	-----	150	-----	190	115
Export-Import Bank.....	1,298	1,723	3,200	2,606	3,850	3,389
Farm Credit Administration:						
Banks for cooperatives.....	1,059	-----	-----	-----	-----	-----
Federal intermediate credit banks.....	2,872	-----	-----	-----	-----	-----
Federal Home Loan Bank Board.....	38	*	519	-----	19	-----
Small Business Administration.....	248	470	532	668	357	825
Other agencies or programs.....	87	2	113	5	71	2
Obligations of federally sponsored enterprises.....	132	-----	-----	-----	-----	-----
Total, loan account.....	12,099	24,366	8,883	29,838	8,122	38,388
Grand total.....	15,936	25,303	13,280	30,233	12,432	39,073

*Less than \$500 thousand.

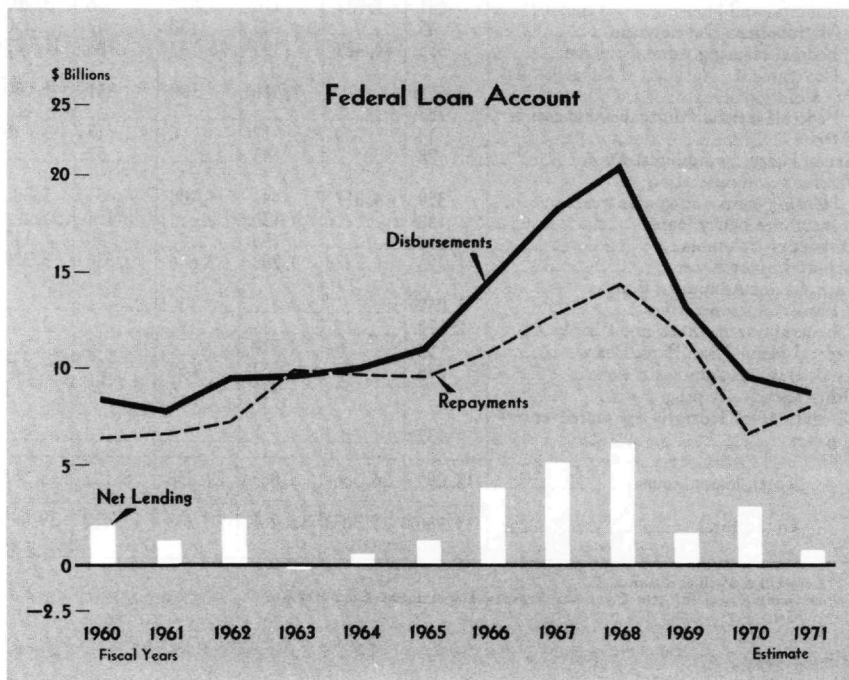
¹ Including in 1971 the Overseas Private Investment Corporation.

Overlapping commitments.—Total estimated new commitments of \$51.4 billion in 1971 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. For example, commitments by GNMA are for purchase of mortgages insured or guaranteed by other Federal agencies. In several programs, the same authority is used both to make direct loans and to guarantee or insure private loans. This is true of certain programs of the Farmers Home Administration, and in urban renewal and public housing programs of the Department of Housing and Urban Development. In the latter cases, the allocation of direct loan and guarantee commitments is estimated on the basis of past experience.

DISBURSEMENTS AND REPAYMENTS

Gross disbursements for direct loans have the most immediate impact on the budget. In long-established programs, or in programs involving short-term loans, however, the cash outflow required for such disbursements usually is largely or wholly offset by repayments on the outstanding portfolio of loans. This is true for most of the credit extensions by the Farmers Home Administration and the Commodity Credit Corporation, as well as for the interim financing of public housing and urban renewal projects.

On the other hand, long-term loans, such as those to finance construction of college housing and academic facilities or rural electrification and telephone systems, as well as purchases of mortgages to help finance residential housing, can have a major net impact on the budget, since repayments in the early years often fall short of new loans.



Federal guarantees and insurance of private loans, except when accompanied by interest subsidies, ordinarily have only minor and indirect budget consequences. Principal disbursements of Federal funds normally occur only when the borrower defaults, or in a few programs when holders of such insured loans exercise their repurchase options.

In accordance with the recommendations of the Commission on Budget Concepts, both the budget as a whole and this analysis segregate and treat separately net lending—the excess of principal disbursements over collections of all credit programs in the loan account. The gross data on disbursements are also adjusted to reflect writeoffs, losses, and recoveries. As a result, the net lending in any year equals the change between the loans outstanding in the loan account at the beginning of the year and the total outstanding at the end of the year.

The same principles are followed in deriving the gross and net loan expenditures for credit programs in the expenditure account. As a result, the net loan disbursements for all credit programs in the loan account and the totals for the credit programs in the expenditure account are identical with the outlays shown as “loans” in the “additions to Federal assets” category in Special Analysis D.¹ For those loan programs in the expenditure account not financed through revolving funds, repayments are separately recorded in miscellaneous receipts, rather than netted against expenditures for each program.

Over the 1959–68 period, gross disbursements for all Federal programs in the loan account rose from \$7.9 billion to \$20.4 billion. Net lending ranged from a low in 1963—when repayments exceeded new loan disbursements by \$0.1 billion—to peaks of \$5.1 billion in 1967 and \$6.1 billion in 1968.

By contrast, in 1969–71, sharp reductions in the budgetary impact of these programs are occurring. In 1969, gross disbursements dropped to \$17.0 billion, followed by a further decline to \$13.8 billion in 1970 and \$12.6 billion in 1971. All of this decline can be accounted for by the conversion to private ownership of three major groups of lending agencies, which disbursed \$11.4 billion in loans during 1968 and \$4.2 billion in the portion of 1969 prior to their shifts to private ownership.

Net lending—the excess of disbursements over receipts in the loan account—in 1969 dropped to \$1.5 billion. In 1970, it will increase to \$2.9 billion, but will fall in 1971, to \$0.7 billion. The decline in 1971 results from the estimated increases of \$1.9 billion in sales of direct loans by four agencies, together with a reduction of \$0.8 billion in repurchases by two of these agencies. Details by agency are shown at the bottom of table E-2.

Net loan outlays in the expenditure account will fall from \$1.9 billion in 1969 to \$0.9 billion in 1970 and 1971. This is almost entirely the result of reduction in the net loan expenditures of the Commodity Credit Corporation from \$0.8 billion in 1969 to a modest excess of repayments in 1970 and 1971. Net loan disbursements for the foreign economic assistance programs of the Agency for International Development will remain relatively unchanged at about \$0.8 billion each year. This is partly because most of such loans permit deferment of principal repayments during several early years.

¹ See table D-2 on pp. 47–49.

Table E-2. DISBURSEMENTS AND REPAYMENTS FOR FEDERAL CREDIT PROGRAMS CLASSIFIED BY TYPE OF ACCOUNT (in millions of dollars)

Agency or program	1969 actual		1970 estimate		1971 estimate	
	Disbursements	Repayments	Disbursements	Repayments	Disbursements	Repayments
EXPENDITURE ACCOUNT						
Funds appropriated to the President:						
Military assistance.....	77	19	139	68	262	59
Economic assistance.....	957	139	923	116	881	137
Agriculture:						
Commodity Credit Corporation.....	2,620	1,801	3,106	3,163	2,632	2,664
Health, Education and Welfare.....	201	1	160	*	135	1
Treasury Department.....	55	46		121		148
Other programs.....	9	12	29	12	39	14
Total, expenditure account.....	3,919	2,018	4,357	3,481	3,948	3,023
LOAN ACCOUNT						
Funds appropriated to the President:						
Office of Economic Opportunity.....	9	12	16	12	11	14
Agriculture:						
Commodity Credit Corporation.....	221	137	223	194	212	220
Rural Electrification Administration.....	402	172	505	157	492	167
Farmers Home Administration.....	1,765	1,444	2,413	2,140	2,580	3,439
Commerce:						
Economic Development Administration.....	50	8	99	10	62	12
Maritime Administration.....	1	8		9		7
Health, Education, and Welfare.....	100	5	101	6	137	8
Housing and Urban Development:						
Renewal and Housing Assistance.....	842	618	1,247	1,035	1,050	884
Metropolitan Development.....	48	4	44	5	40	6
Federal Housing Administration.....	297	277	125	130	129	71
Government National Mortgage Association.....	2,439	1,883	662	256	698	344
Federal National Mortgage Association.....	249	72				
Interior.....	17	5	17	5	16	5
General Services Administration.....	28	23	45	18	52	32
Veterans Administration:						
Housing loans and guarantees.....	327	138	396	199	388	664
Insurance policy loans.....	150	86	158	87	153	88
District of Columbia.....	108	43	149	46	190	44
Export-Import Bank.....	1,668	1,303	2,136	1,418	1,903	1,592
Farm Credit Administration:						
Banks for cooperatives.....	1,059	934				
Federal intermediate credit banks.....	2,872	3,158				
Federal Home Loan Bank Board.....	36	15	519	524	19	24
Small Business Administration.....	208	225	458	255	352	257
Other agencies or programs.....	88	12	174	76	115	42
Obligations of federally sponsored enterprises.....	132	1,058		5		
Total, loan account.....	13,117	11,640	9,489	6,589	8,604	7,921
Grand total.....	17,036	13,659	13,846	10,070	12,552	10,944
Repurchases and sales of financial assets included in above totals:						
Agriculture:						
Commodity Credit Corporation, net.....		667				
Farmers Home Administration.....	405	958	830	1,598	407	2,914
Housing and Urban Development.....		*		50		100
Veterans Administration.....		1		61		526
Export-Import Bank.....		378	350	384		500
Total.....	405	2,005	1,180	2,093	407	4,040

*Less than \$500 thousand.

OUTSTANDING DIRECT AND GUARANTEED LOANS

The best index of the level of Federal credit programs over a period of years is provided by total outstanding direct and guaranteed loans. By the close of 1971, these will amount to \$176.4 billion in the loan account and an additional \$22.5 billion in the expenditure account—or a gross total of \$198.9 billion.

Outstanding direct loans in the loan account will rise by an estimated \$2.9 billion during the current fiscal year and by \$0.7 billion in 1971, to a total of \$33.1 billion on June 30, 1971. Significant increases over the 2-year period include the Export-Import Bank (\$1.0 billion), the Rural Electrification Administration and the GNMA (each \$0.7 billion), HUD's renewal and housing assistance programs—mainly college housing loans—(\$0.4 billion) and the Small Business Administration (\$0.3 billion). Loans held by the Farmers Home Administration will fall by \$0.6 billion.

Outstanding loans in the expenditure account will rise by \$2.5 billion in 1970 and \$0.9 billion in 1971. An increase of \$1.5 billion in CCC direct loans results indirectly from reclassification of \$1.6 billion in certificates of interest as agency debt. At the same time, the portfolio of foreign economic assistance loans made by the Agency for International Development will rise by \$1.6 billion during the 2-year period.

Outstanding guaranteed and insured loans for both accounts are expected to rise by an estimated \$9.0 billion in 1970 and by a record \$18.3 billion during 1971. The net increase in outstanding loans insured by the Federal Housing Administration (\$13.1 billion) accounts for almost half of the 1969–71 rise. Other major increases are anticipated by HUD in its renewal and housing assistance programs (\$3.3 billion), the Farmers Home Administration (\$2.8 billion), the Export-Import Bank (\$2.5 billion), the Veterans Administration (\$2.0 billion), the Student Loan Insurance program of the Office of Education (\$1.4 billion), and the Small Business Administration (\$0.8 billion). The only significant decrease is the elimination of \$1.6 billion in guaranteed certificates of interest of the CCC, because of the reclassification of this item.

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. The estimated contingent liability of the Federal Government by the end of 1971 will be \$19.9 billion less than the \$145.1 billion principal amount of the loans guaranteed and insured. Most of this difference is accounted for by the veterans loan guarantee program, where the Government's liability will be \$16.4 billion lower than the amount of guaranteed loans outstanding.

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-4 summarizes the current range of interest rates charged by the various major credit programs on direct loans (or

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

Agency or program	1969 actual		1970 estimate		1971 estimate	
	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans	Direct loans	Guaranteed and insured loans
EXPENDITURE ACCOUNT						
Funds appropriated to the President:						
Military assistance.....	77	366	147	457	349	482
Economic assistance ¹	7,837	389	8,644	755	9,387	1,268
Agriculture: Commodity Credit Corporation.....	3,046	1,590	4,579	-----	4,547	-----
Health, Education, and Welfare.....	1,326	-----	1,486	-----	1,621	-----
Treasury Department.....	4,829	-----	4,708	-----	4,560	-----
Other programs.....	245	-----	262	-----	286	-----
Total, expenditure account.....	17,360	2,345	19,826	1,212	20,751	1,750
LOAN ACCOUNT						
Funds appropriated to the President:						
Office of Economic Opportunity.....	85	-----	89	-----	87	-----
Agriculture:						
Commodity Credit Corporation.....	458	-----	487	-----	479	-----
Rural Electrification Administration.....	5,026	-----	5,375	-----	5,700	-----
Farmers Home Administration.....	2,694	2,679	2,970	3,266	2,112	5,523
Commerce:						
Economic Development Administration.....	286	25	375	39	428	63
Maritime Administration.....	82	622	73	644	66	775
Health, Education, and Welfare.....	360	1,394	455	2,106	584	2,902
Housing and Urban Development:						
Renewal and Housing Assistance.....	3,446	9,806	3,658	11,220	3,824	13,103
Metropolitan development.....	367	-----	406	40	440	95
Federal Housing Administration.....	708	63,001	703	68,203	762	76,080
Government National Mortgage Association.....	4,256	-----	4,661	500	5,015	1,500
Interior.....	195	18	207	21	218	24
General Services Administration.....	172	49	199	49	219	49
Veterans Administration:						
Housing loans and guarantees.....	2,650	34,927	2,848	35,057	2,571	36,945
Insurance policy loans.....	868	-----	938	-----	1,003	-----
District of Columbia.....	266	20	370	20	516	135
Export-Import Bank.....	5,421	2,039	6,139	3,218	6,450	4,519
Federal Home Loan Bank Board.....	166	*	161	-----	155	-----
Small Business Administration.....	1,531	603	1,734	969	1,829	1,450
Other agencies or programs.....	451	176	547	161	619	144
Obligations of Federally-sponsored enterprises.....	5	-----	-----	-----	-----	-----
Total, loan account.....	29,496	115,358	32,395	125,513	33,078	143,306
Grand total.....	46,856	117,703	52,221	126,725	53,829	145,056

*Less than \$500 thousand.

¹ Including, in 1971, the Overseas Private Investment Corporation.

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.

Interest rates charged on direct loans vary both among the numerous Federal credit agencies and sometimes among the types of loans made by a single agency. Some of the differences in rates reflect 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.

Table E-4. INTEREST RATES AND MATURITIES FOR MAJOR ACTIVE CREDIT PROGRAMS CLASSIFIED BY AGENCY OR PROGRAM, DECEMBER 1969

Agency or program	Direct loans		Guaranteed and insured loans	
	Interest rate (percent)	Maturity (years)	Interest rate (percent)	Maturity (years)
EXPENDITURE ACCOUNT				
Funds appropriated to the President:				
Military assistance.....	7 $\frac{1}{4}$ -7 $\frac{3}{4}$	5-10	9-9 $\frac{1}{2}$	1-7
Economic assistance.....	2-4 $\frac{1}{2}$	5-40	6-9 $\frac{1}{2}$	5-25
Agriculture: Commodity Credit Corporation.....	1-2-5	1-40		
Health, Education, and Welfare.....	0-6 $\frac{3}{8}$	² 1-20		
LOAN ACCOUNT				
Office of Economic Opportunity.....	4 $\frac{1}{8}$	1-30		
Agriculture:				
Commodity Credit Corporation.....	5-7 $\frac{3}{8}$	1 $\frac{1}{2}$ -5		
Rural Electrification Administration.....	2	35		
Farmers Home Administration.....	1-7 $\frac{1}{2}$	1-50	4-7 $\frac{1}{2}$	5-40
Commerce:				
Economic Development Administration.....	5 $\frac{3}{4}$ -6 $\frac{1}{4}$	12-40	9-12	3-10
Maritime Administration.....			8 $\frac{1}{4}$ -8 $\frac{1}{2}$	20-25
Health, Education, and Welfare.....	2 $\frac{1}{2}$ -8	1 $\frac{1}{2}$ -40	7	² 1 $\frac{1}{2}$ -15
Housing and Urban Development:				
Renewal and Housing Assistance.....	3-6	1 $\frac{1}{4}$ -50	5.6-6.0	1 $\frac{1}{4}$ -40
Metropolitan Development.....	0-5 $\frac{3}{8}$	40		
Federal Housing Administration.....	0-8 $\frac{1}{2}$	1-40	³ 3-8 $\frac{1}{2}$	1-40
Government National Mortgage Association.....	3-8 $\frac{1}{2}$	1-40		
Interior:				
General Services Administration.....	0-8 $\frac{1}{2}$	0-50	6 $\frac{1}{2}$ -8	5-15
Veterans Administration:				
Housing loans and guarantees.....	7 $\frac{1}{2}$ -8 $\frac{1}{2}$	7-30	7 $\frac{1}{2}$ -8 $\frac{1}{2}$	7-30
Insurance policy loans.....	4	(⁴)		
District of Columbia.....	0-6 $\frac{1}{4}$	1 $\frac{1}{2}$ -40		
Export-Import Bank.....	6	1 $\frac{1}{4}$ -20	6-10	1 $\frac{1}{2}$ -10
Federal Home Loan Bank Board.....	4-7.2	1-25		
Small Business Administration.....	3-6 $\frac{5}{8}$	1-30	6-12	1-30

¹ When commodity loan is repaid by forfeiting collateral, no interest is charged. On export loans lower interest is charged during initial grace period.

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

³ In addition, property improvement loans are insured for 4 $\frac{1}{4}$ % to 5 $\frac{1}{4}$ % discount per year (or an effective annual rate of 8.8% to 10.6%), and with maturities of 6 months to 7 years.

⁴ Indefinite.

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 borrowers 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. Numerous changes in the statutory provisions governing interest rates have provided greater administrative flexibility to adjust rates to correspond with the changing conditions of the private credit market.

In a few cases, interest rates paid by the borrowers on insured loans are set below the market rate and a secondary market is provided to assure the willingness of the private lender to originate the 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 (currently 3%), well below those prevailing in the private market and GNMA has been purchasing all of such mortgages. This program is now being gradually replaced by direct interest subsidies on privately financed loans.

In other cases, the Federal agency pays part of the interest cost necessary to obtain private financing. For example, the Farmers Home Administration, in selling direct loans (on an insured basis) to private investors undertakes to make supplementary interest payments sufficient to assure market yields to the purchasers. In several of its programs, the Department of Housing and Urban Development makes contracts to pay part of the interest, and in certain programs both principal and interest, in order to reduce or eliminate the financing costs on private borrowing used to acquire housing for low- or moderate-income families, as well as to finance college housing.¹

Unlike most other programs, Government outlays 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 others, income from interest payments or insurance and guarantee fees covers most of the current expenses, and sometimes provides reserves for future losses. But a substantial number of credit programs contain an element of subsidy; e.g., by payment of interest subsidies on guaranteed loans, or by lending at more favorable interest rates than prevail in the private market.

Three major groups of self-supporting credit agencies in 1969, were converted to private ownership. Other major direct loan programs are being shifted to insured loans, with explicit provision for interest supplements to be separately provided in order to reduce the costs to low or moderate income borrowers while maintaining gross interest rates high enough to be attractive to private lenders. The net effect of several of these programs will be to transfer most or all of the

¹ For more detailed discussion, see Special Analysis N "Federal Housing Activities," pp.214-15.

interest subsidies on future loans to the expenditure account. This approach permits a considerable expansion in insured loans, both under existing and proposed legislation, while at the same time adding to the current costs the necessary amounts of interest subsidies.

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.

GOVERNMENT-SPONSORED CREDIT PROGRAMS

Six major types of Government-sponsored privately owned institutions administer credit programs. The programs of these institutions are neither included in the budget totals, nor subject to budgetary control. Detailed schedules and explanatory statements of five of these groups and of the Board of Governors of the Federal Reserve System are printed as annexed budgets in Part III of the Appendix. The operations of the Federal Reserve banks have no direct effect on budget totals, but payments of excess Federal Reserve earnings are regularly made to the Treasury and become budget receipts.

The five Government-sponsored credit programs—excluding the Federal Reserve banks (for which no forecasts are available)—anticipate continued expansion in their lending activity in both 1970 and 1971. Their total loan portfolios are expected to rise by a record

Table E-5. NET CHANGES IN OUTSTANDING LOANS FOR MAJOR GOVERNMENT-SPONSORED CREDIT PROGRAMS (in millions of dollars)

Agency	Increases			Outstanding end of 1971 estimate
	1969 actual ¹	1970 estimate	1971 estimate	
Housing and Urban Development:				
Federal National Mortgage Association ²	1,442	5,648	4,600	18,538
Farm Credit Administration:				
Banks for cooperatives	117	97	103	1,795
Federal intermediate credit banks	1,701	436	479	5,270
Federal land banks	583	577	582	7,716
Federal Home Loan Bank Board:				
Federal home loan banks	1,524	4,487	2,400	13,300
Total	4,267	11,245	8,164	46,619
Federal Reserve, Board of Governors:				
Federal Reserve banks	1,469	(³)	(³)	(³)

¹ 1969 data exclude following net changes prior to conversion to private ownership: Federal National Mortgage Association, \$223 million; banks for cooperatives, \$123 million; and Federal intermediate credit banks, —\$278 million.

² Data for Federal National Mortgage Association represent gross unpaid principal amounts.

³ Estimates not available.

amount of \$11.2 billion in 1970 and by another \$8.2 billion in 1971 to \$46.6 billion on June 30, 1971. Most of the 2-year increase represents purchases of insured and guaranteed housing mortgages by the Federal National Mortgage Association and advances by the Federal home loan banks to member institutions engaged almost entirely in home mortgage lending. Hence, these programs, like the Government-guaranteed and insured loans previously discussed, are currently being devoted largely to supporting the housing market.

SUMMARY OF FEDERAL AND FEDERALLY ASSISTED CREDIT

Changes in the outstanding volume of credit either directly provided or given major assistance by the types of programs discussed in this analysis are summarized in table E-6. The coverage includes direct Government loans, Government-guaranteed and insured loans, and loans of Government-sponsored enterprises (excluding the Federal Reserve banks). Adjustments are made to exclude double counting, e.g., cases where loans by these agencies are also guaranteed or insured.

During the fiscal year 1969, the aggregate amount of such credit outstanding increased by \$15.1 billion. On the basis of present estimates, further increases will occur of \$19.1 billion in 1970 and \$22.3 billion in 1971, bringing the total outstanding credit and credit assistance to \$220.4 billion on June 30, 1971.

In addition to the rapid rise in total volume of Federal and federally assisted credit, sharp shifts in the year-to-year pattern will occur. During the current 1970 fiscal year and to a lesser extent in 1971,

Table E-6. NET CHANGES IN OUTSTANDING FEDERAL AND FEDERALLY ASSISTED CREDIT (in millions of dollars)

Type of credit assistance	Increase or decrease in credit			Outstanding end of 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Direct Government loans:				
Expenditure account.....	1,901	2,466	925	20,751
Loan account.....	¹ 1,476	2,900	683	33,078
Net, direct loans.....	² 3,377	5,365	1,608	53,829
Guaranteed and insured loans.....	9,694	9,022	18,331	145,056
Less net increase in holdings by:				
Federal National Mortgage Association.....	1,665	5,648	4,600	18,538
Government National Mortgage Association.....	560	404	348	5,069
Less guarantees of securities backed by insured mortgages.....		500	1,000	1,500
Net, guaranteed and insured loans.....	7,469	2,470	12,523	119,941
Government-sponsored agencies, ³ loans.....	² 4,267	11,245	8,164	46,619
Total.....	15,113	19,080	22,295	220,389

¹ Excludes change of \$11,824 million in amounts of outstanding direct loans resulting from conversion to private ownership.

² Direct loan data for 1969 include and other data exclude following loans made or purchased prior to conversion to private ownership: Federal National Mortgage Association, \$177 million (acquisition cost); banks for cooperatives, \$123 million; and Federal intermediate credit banks, -\$278 million.

³ Excludes Federal Reserve banks.

the five Government-sponsored credit agencies—especially the Federal National Mortgage Association and the Federal home loan banks—will provide an increased share of the total expansion. By contrast, because of the tight credit market, the rise in the outstanding volume of guaranteed and insured loans will be about the same as in 1969, and even this rise will only be possible because of the sizable purchases of such loans by FNMA.

In 1971, improvement in private financial markets is expected to accommodate a significant increase in the volume of guaranteed and insured housing loans, with somewhat less dependence upon FNMA purchases. The same improvement should also reduce needs for advances by the home loan banks.

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. Agency for International Development

A. Foreign Assistance Act of 1969—Public Law 91-175

(1) Establishes Overseas Private Investment Corporation authorized to make direct loans, guarantees, and investments and otherwise stimulate U.S. private investment abroad; (2) broadens Latin American housing guarantee program; and (3) authorizes pilot program of community development loan guarantees for Latin America.

II. Department of Health, Education, and Welfare

A. Emergency Insured Student Loan Act of 1969—Public Law 91-95

Authorizes payment of special incentive allowances up to 3% of the principal amount of future insured student loans to assure eligible holders equitable returns.

III. Departments of Housing and Urban Development and Agriculture

A. Housing and Urban Development Act of 1969—Public Law 91-152

(1) Lowers down payments on sales housing loans insured by the Federal Housing Administration and increases maximum mortgage amounts for these and other insured loans; (2) authorizes FHA loan insurance for mobile homes; (3) liberalizes terms on which the Government National Mortgage Association can purchase and sell insured mortgages; (4) authorizes supplemental grants to encourage urban renewal loans from private sources; and (5) authorizes the Secretary of Agriculture to lend funds to public or private nonprofit organizations to provide sites for rural housing for low- and moderate-income families.

IV. Federal Home Loan Bank Board and Small Business Administration**A. Credit program amendments and interest rate control extension—Public Law 91-151**

(1) Requires Secretary of the Treasury to lend to the Federal home loan banks when necessary to supply reasonable amounts of funds to the mortgage market; and (2) directs the Small Business Administration to increase loans to small business investment companies by \$70 million.

V. Small Business Administration and Department of Agriculture**A. Disaster Relief Act of 1969—Public Law 91-79**

Authorizes partial cancellation of principal and/or waiver of interest due, and liberalizes other standards on certain disaster loans made by the Small Business Administration and on similar emergency loans made by the Secretary of Agriculture.

SPECIAL ANALYSIS F

PRINCIPAL FEDERAL STATISTICAL PROGRAMS

Principal statistical programs of the Federal Government in the 1971 budget, summarized in this analysis, seek to provide accurate, comprehensive, and timely information on the functioning of the economy and on the welfare of the people, for both Government and general public use. During the recent past, deficiencies in official statistics have handicapped the formulation of social and economic policy. A substantial improvement in the promptness and accuracy of current economic indicators is required to discern and interpret economic trends. Existing measures of health, public safety, poverty, and education have proved to be inadequate to meet pressing needs for information for actions to improve social conditions. These statistical gaps must be filled. To carry out the New Federalism and provide adequate information required by local authorities in dealing with social and economic problems, more statistical detail for States, metropolitan areas, and large central cities is required. The changes in principal Federal statistical programs for 1971 emphasize these needs.

A general grouping of the statistical activities of the various agencies is reflected in the amounts shown for current statistical programs (see table F-1). Recommendations for 1971 for current statistics total \$161.2 million compared to \$141.2 million in the previous year, an increase of \$20 million. In addition to these continuing activities, the Federal Government conducts a number of periodic programs, such as the Census of Population and Housing every 10 years, the Economic Censuses every 5 years, and the periodic revision of the Consumer Price Index. Amounts required for these programs fluctuate widely from year to year depending upon the nature and periodicity of the activities. Recommendations for the periodic programs for 1971 aggregate \$56.7 million, most of which represents costs of processing and publishing the 19th decennial census.

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. These areas and the amounts involved for current programs are summarized in table F-1. Information by agencies, for both current and periodic programs, is shown in table F-2. When adjustments are made because of reorganization of statistical units or activities, or new fields are covered, figures are carried back to both the current and previous years so that all 3 years covered by the special analysis are on a comparable basis.

In some cases, these programs represent the entire output of agencies whose whole function is to develop general-purpose statistical information. In other instances, an agency's general-purpose statistical output is a byproduct of its principal activities. Consequently, the

current statistical programs covered in this analysis include the entire program of some agencies and only a small part of the programs of others.

A brief description of the major program changes is shown below by broad subject areas. Adjustments made for additional amounts required for strengthening existing programs, increased pay costs, and for savings resulting from increased productivity are not itemized in descriptive statements but are reflected in the totals.

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

Program	1969 actual	1970 estimate	1971 estimate
Labor statistics (Departments of Agriculture, Interior, and Labor; National Science Foundation).....	27.8	29.7	32.4
Demographic and social statistics (Departments of Agriculture, Commerce, Health, Education, and Welfare, and Justice; National Science Foundation; Office of Economic Opportunity)....	44.2	52.2	63.3
Prices and price indexes (Departments of Agriculture, Commerce, and Labor).....	7.0	7.7	8.9
Production and distribution statistics (Departments of Agriculture, Commerce, Defense, Interior, and Transportation; Civil Aeronautics Board; Interstate Commerce Commission).....	31.5	34.3	36.9
Construction and housing statistics (Departments of Commerce and Housing and Urban Development; Federal Home Loan Bank Board).....	4.1	4.6	5.6
National income and business financial accounts (Departments of Agriculture, Commerce, and Treasury; Federal Trade Commission; Securities and Exchange Commission).....	12.1	12.7	14.1
Total, principal current programs.....	126.7	141.2	161.2

LABOR STATISTICS

Of the \$2.7 million increase requested for labor statistics, about \$1 million represents increased costs of existing programs at both the Federal level and in cooperating States. Much of the balance would be used to increase substantially the amount of small area information available on employment and wages and to develop more detailed projections of the labor supply. Monthly data on employment, hours, and earnings would be provided for 37 additional standard metropolitan statistical areas (thus including every SMSA). Expanded industry coverage would permit the publication of more information on trade and service industries at the State level. Additional work on projections of labor supply would permit the publication of projections by age, sex, and color for the 100 largest standard metropolitan statistical areas. Greater occupational and industrial detail in manpower requirements projections would supply much needed additional estimates at the national level and, in combination with increased capabilities for furnishing technical guidance to State and local governments, would provide a basis for improving manpower projections made by State and local agencies. About \$400 thousand is included in the budget of the Bureau of Labor Statistics for these purposes.

The community wage information program would be strengthened by expanding industry coverage in the present 90 area wage survey program to include all nonagricultural industries; by publishing wage data for 10-15 large central cities instead of two; and by extending the program to enough smaller communities to permit publication of national and regional estimates. An additional \$300 thousand is requested in the budget for the Bureau of Labor Statistics for this purpose. BLS is being called on to develop information on occupational earnings in State and local governments and \$160 thousand is requested for this work.

A special post-Censal survey to provide more detailed information on education, training, and career patterns of scientific and technical personnel is planned; \$300 thousand is included in the budget request for the National Science Foundation to carry out this survey.

An expansion of the health and safety statistical activities of the Bureau of Mines will be necessary in order to implement the recently enacted Federal Coal Mine and Health Safety Act of 1969. An additional \$600 thousand is included for the Bureau of Mines to accomplish this.

DEMOGRAPHIC AND SOCIAL STATISTICS

An increase of \$11.1 million is requested for 1971 to expand and improve the Government's demographic and social statistics.

Population statistics.—Of the program changes proposed for 1971, the largest and most important are concerned with maintaining and improving the accuracy and timeliness of current population statistics in the 1970's. The address register and maps used to conduct the 1970 Census are to be up-dated on the basis of information being developed in the taking of the census. A 3-year program to modernize the sample used in the Current Population Survey on the basis of 1970 Census information is to be inaugurated. The Federal-State cooperative program for producing annual estimates of population for small areas (a program in which some 40 States are participating) is to be strengthened.

It is also proposed to expand the information made available through the Current Population Survey by developing annual socioeconomic data on ethnic minorities, especially on persons of Spanish heritage (Spanish-Americans, Mexican-Americans, Puerto Ricans, etc., as a group).

The 1971 budget for the Bureau of the Census includes \$1.6 million for these programs.

Health and vital statistics.—All of the program increases are for work to be performed by the National Center for Health Statistics. They include the initial funding of family growth studies for use in the design and management of family planning and infant and maternal health programs (\$166 thousand); making the family planning services reporting system fully operational (\$150 thousand); design and testing of the fourth cycle of the Health Examination Survey, which will include the National Nutrition Surveillance program (\$119 thousand); and a small amount (\$65 thousand) to provide consultation and technical assistance to local areas wishing to conduct health surveys in their own jurisdictions.

Educational statistics.—Changes in the 1971 program include: (1) the development of information from high school and post-high school students to improve higher educational planning, to provide a better basis for the analysis of problems of dropouts, and to gain new insights into the transition from secondary education into work status or into further education; (2) the development of information to better judge the impact of Federal assistance to improve programs of science, mathematics, and foreign language, and school library facilities; (3) the measurement of the extent to which occupational training is taking place in nonpublic schools; (4) studies of the characteristics of educational broadcasting and the development of measures of the effects of radio and TV on the content and process of education; and (5) exploratory efforts to develop quantitative measures of educational achievement. The costs of these new programs (\$2.3 million) are partially offset by adjustments in existing programs.

Social Security statistics.—Program increases for Social Security statistics in fiscal year 1971 are concentrated in the continuing program to examine the changes over time in income and living patterns of retirees (\$150 thousand); in an expansion of the program to provide national data to analyze the retirement process (\$50 thousand); in a followup study of the disabled population after the 1970 Census (\$500 thousand); in continuing studies of the costs and coverage of prescription drugs in the medicare program (\$200 thousand); and in a number of other studies of the medicare program (\$225 thousand). Increases in processing costs will add another \$500 thousand to the costs of Social Security statistics in fiscal year 1971. These increases are partly offset by the completion or phasing out of other statistical research activities.

Economic opportunity.—It is proposed to increase substantially the research and statistical activities of the Office of Economic Opportunity (\$2 million) in order to provide expanded evaluation of Federal programs to aid the poor.

The work of the Economic Research Service, Department of Agriculture, aimed at developing indicators of rural economic and social well-being will continue at an expanded level. The budget provides an additional \$262 thousand for this activity.

Crime statistics.—The principal changes proposed for the Federal Government's crime statistics program in fiscal year 1971 are associated with the activities of the National Criminal Justice Information and Statistics Service in the Law Enforcement Assistance Administration. It is proposed that LEAA proceed with the development of a directory of all public criminal justice agencies in the United States, that it conduct a national census of jail and juvenile facilities, and, by contract with the Census Bureau, that it plan, test, and conduct a survey to develop victimization experiences. Additional funds included in the budget for LEAA in fiscal year 1971 (\$3 million) will also provide funds to continue Project SEARCH (System for Electronic Analysis and Retrieval of Criminal Statistics).

PRICES AND PRICE INDEXES

An increase of \$1.2 million is requested for 1971 to improve price statistics. Most of the proposed changes seek to improve the accuracy of these data. Work now in progress to improve the Wholesale Price Index would be extended to develop (1) data on prices of industrial products which are based on actual transactions rather than list prices, and (2) a general price index as a tool for analyzing the relationship between prices and price changes in different parts of the economy (\$195 thousand).

In the Bureau of the Census, current work on the development of construction price indexes would be expanded. Work on price indexes for nonresidential construction would begin, starting with school and hospital construction. Quarterly national and annual regional indexes for new single family homes would also be developed (\$233 thousand).

The budget for the Statistical Reporting Service, Department of Agriculture, includes funds to update commodity coverage and the weights used in computing the Indexes of Prices Paid by Farmers (\$80 thousand).

In addition to these program changes to improve the accuracy of price data, a proposal to expand the amount of retail price information available for local areas is included in the 1971 program of the Bureau of Labor Statistics; \$250 thousand is requested to provide retail price information for 16 large cities and to develop additional intracity data in order to obtain information on prices paid by consumers with different levels of income.

PRODUCTION AND DISTRIBUTION STATISTICS

An increase of \$2.6 million is requested for 1971 to expand statistics on production and distribution of goods and services.

The Bureau of the Census will develop and test better estimating techniques for compiling retail trade statistics and procedures for speeding up reports from retail stores (\$300 thousand). Coverage of the current series on services will be expanded (\$115 thousand) to include nonprofit organizations, engineering and architectural services, and accounting, auditing and bookkeeping services. Census will start compiling an annual series on industrial mergers, acquisitions, and disposals (\$54 thousand).

Funds proposed for the Economic Research Service, Department of Agriculture, would permit testing the feasibility of using remote sensing techniques in land use inventorying (\$52 thousand) and provide statistical support to a study of the impact of world agricultural development and adjustments on U.S. foreign trade (\$200 thousand).

Additional funds (\$1.1 million) are requested for the Statistical Reporting Service, Department of Agriculture, to continue work on a multiframe estimating procedure to improve livestock estimates. Minor increases totaling \$95 thousand are requested for programs designed (1) to improve the accuracy of quarterly farm grain stocks estimates, (2) to investigate possible uses of remote sensing for measuring acreages in crops, and (3) to explore other statistical techniques for improving crop and livestock estimates.

The Department of Transportation will launch a long-range program to expand transportation statistics, concentrating on the highest

priority needs for information set forth in the report of the Secretary of Transportation to the House Committee on Appropriations in May 1969 (\$700 thousand).

CONSTRUCTION AND HOUSING STATISTICS

An increase of \$1 million is requested to improve and extend construction and housing statistics. The long-range program to improve the reliability of current statistics on construction activity will focus on (1) reducing the sampling error in present monthly estimates of the value of nonresidential construction put in place, (2) providing data on the construction of office buildings and stores, and (3) expanding the collection of data in the form of progress reports on hotels, motels, and dormitories. An additional \$224 thousand is included in the budget for the Bureau of the Census for these purposes.

The Bureau of the Census will inaugurate a program whose objective is better to define problem housing areas. It will develop and test (1) new and improved inquiries and indicators to identify poor housing, and (2) statistical indicators—physical, social, and economic—of the effects of neighborhood deterioration (\$245 thousand).

The 1971 budget proposal for the Department of Housing and Urban Development includes two new programs that will improve information on the available housing supply. One program will develop measures of residential demolition; the other (by contract with the Bureau of the Census) will extend the quarterly national survey of residential vacancies to cover a small number of selected local areas (\$200 thousand).

The 1971 statistical program of the Federal Home Loan Bank Board covers the purchase of computer time and program services in connection with the development of a management information system and the provision of a number of additional statistical services (\$300 thousand).

NATIONAL INCOME AND BUSINESS FINANCIAL ACCOUNTS

An increase of \$1.4 million is requested for 1971 to improve data on national income and business financial accounts.

Economic accounts.—The budget estimates for the Office of Business Economics include amounts for monthly estimates of GNP (\$220 thousand), preparing input-output tables on an annual basis instead of every 5 years (\$110 thousand), developing new measures of the impact of Federal activity (\$150 thousand), and preparing quarterly estimates of nonfarm investment (\$110 thousand).

An additional \$160,000 included in the budget request for the Economic Research Service will be used to improve sources of data and methods of estimating farm income.

Government statistics.—A major effort to improve current information relating to the finances and employment of local governments is proposed in the 1971 program for the Bureau of the Census. An amount of \$320 thousand is included to develop annual data for local governments in 72 standard metropolitan statistical areas and in 47 large counties. The present program is limited to local governments

in 37 SMSA's. Figures will be developed for each central city and each county in the 72 largest SMSA's and for selected major local governments in large counties outside SMSA's. The reports will include a number of analytic measures to make the data more useful.

The Internal Revenue Service statistical program for 1971 provides for advanced work on the Taxpayer Compliance Measurement Program, and a special analysis of schedule H of the corporate tax return (Reconciliation of Book Profits to Earnings and Profits). An increase of \$500 thousand is proposed for these purposes.

PERIODIC PROGRAMS

19th Decennial Census.—The decrease in the budget request for fiscal year 1971 stems from substantial completion of data collection activities. In fiscal year 1971, there will be data collection for the components of inventory change and residential financing surveys of the Census of Housing. The only other data collection activity remaining to be done in fiscal year 1971 is the Census Employment Survey in poverty sections of selected urban and rural areas. Most of the 1971 request will be used to pay for the processing and publication of 1970 census materials.

1972 economic censuses.—The budget requests for the Bureau of the Census contain \$1.4 million, the initial appropriation for the 1972 Censuses of Business, Manufactures, Mining, and Transportation. The funds will be used to develop the specifications and basic operating plans for the collection, processing, and publication of 1972 census materials.

1972 Census of Governments.—The requested \$120 thousand will be used to develop operational plans and procedures for taking the census.

Census of Agriculture.—The increase of \$7.4 million covers the completion of data collection activities, the processing of returns, some of which has been deferred from fiscal year 1970 because of reduced funds, and the commencement of publication of census materials.

Survey of population change.—An amount of \$200 thousand is recommended to prepare for a large-scale sample survey of changes in the social and economic characteristics of the population planned for fiscal year 1973.

Large-scale data processing equipment purchase.—The budget request would permit the Bureau of the Census to buy (1) two computers now leased by the Bureau under a lease-purchase agreement, (2) additional computer core memory, (3) a data-transmission system between Jeffersonville, Ind., and Washington, as well as to replace high-speed printers, remote terminals, and related equipment.

Revision of the Consumer Price Index.—The 1971 budget request for the Bureau of Labor Statistics includes \$1.5 million for the second year of a comprehensive revision of the Consumer Price Index. This revision is undertaken every 10 years.

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

Agency	1969 actual	1970 estimate	1971 estimate
CURRENT PROGRAMS			
Department of Agriculture:			
Economic Research Service: Statistical activities.....	3.5	3.6	4.3
Statistical Reporting Service.....	14.7	16.5	17.8
Department of Commerce:			
Bureau of the Census.....	18.1	19.6	22.7
Office of Business Economics.....	3.1	3.4	4.1
Department of Defense:			
Corps of Engineers: Domestic shipping statistics.....	1.1	1.1	1.2
Department of Health, Education, and Welfare:			
National Center for Educational Statistics.....	3.2	5.0	7.1
National Center for Health Statistics.....	8.1	9.2	9.9
Social Security Administration: Statistical and research activities.....	18.5	20.0	21.5
Social and Rehabilitation Service: Statistical and research activities.....	.9	1.5	1.5
Department of Housing and Urban Development:			
Statistical activities.....	.7	.7	.9
Department of the Interior:			
Bureau of Mines: Mineral and safety statistics.....	2.6	3.1	3.7
Department of Justice: Crime statistics.....	1.6	2.9	5.7
Department of Labor:			
Bureau of Labor Statistics.....	22.0	23.5	26.1
Manpower Administration:			
U.S. Training and Employment Service: Statistical activities.....	3.4	3.7	3.7
Office of Manpower Research: Statistical activities.....	3.7	3.7	3.7
Department of Transportation: National transportation statistics.....	.3	.5	1.2
Department of the Treasury:			
Internal Revenue Service: Statistical reporting.....	6.9	6.6	7.1
Civil Aeronautics Board: Statistical and research activities.....	.8	.9	1.0
Federal Home Loan Bank Board: Statistical activities.....	.9	1.1	1.4
Federal Trade Commission: Financial statistics.....	.4	.4	.5
Interstate Commerce Commission: Reports and statistics.....	.8	.8	.7
National Science Foundation: Statistics and special analyses.....	4.3	4.4	4.8
Office of Economic Opportunity: Statistical and research activities.....	6.6	8.0	10.0
Securities and Exchange Commission:			
Operational and business statistics and institutional investors study.....	.7	1.0	.6
Total, current programs.....	126.9	141.2	161.2
PERIODIC PROGRAMS			
Department of Commerce: Bureau of the Census:			
19th decennial census.....	17.9	145.3	50.3
1972 census of governments.....		.2	.3
1972 economic censuses.....			1.4
Survey of Population Change.....			.2
Modernization of computer equipment.....			3.0
1967 economic censuses.....	7.1	4.6	
1967 census of governments.....	.5	.1	
Department of Labor: Bureau of Labor Statistics:			
Revision of Consumer Price Index.....		.6	1.5
Total, periodic programs.....	25.5	150.8	56.7
Total, principal statistical programs.....	152.4	292.0	217.9

SPECIAL ANALYSIS G

BALANCES OF BUDGET AUTHORITY

This analysis presents information on balances of budget authority carried forward at the end of each fiscal year. These balances may be obligated or unobligated; the latter occur only when the source of authority permits their use in subsequent years.

Such balances of budget authority are a natural outgrowth of the Federal budget system, in which outlays can only occur subsequent to the enactment of appropriations or other forms of budget authority. In the case of most Government accounts, the time lag between appropriations of budget authority, obligations of funds, and related outlays is relatively short, and appropriations not obligated by the end of the fiscal year expire. However, in other cases, such as major procurement and construction programs, obligations and outlays may occur over a period of years after the budget authority is granted, and balances are carried forward until the authority is obligated and spent. In still others, authority is provided for standby emergency purposes (such as backup for insurance of bank deposits); if such authority is not needed or used, it is carried forward as part of the balance year after year.

Amounts that have been obligated are carried forward until the subsequent payment of such obligations. Such amounts are known as obligated balances. The sum of the unobligated and obligated balances constitutes the unexpended balances.

SUMMARY OF BALANCES BY FUND GROUPS

Table G-1 provides a breakdown of unexpended balances of budget authority under Federal funds and trust funds, and shows the unobligated and obligated amounts in each of the fund groups.

Federal funds are those collected and used by the Federal Government, as owner. Of the estimated \$133.6 billion of Federal fund unexpended balances at the end of 1971, the major portion—\$82.5 billion (62%) will be obligated. Correspondingly, unobligated Federal fund balances are estimated at \$51.1 billion (38%) of the Federal fund unexpended balances.

Trust funds are those received and administered in a fiduciary or trustee capacity by the Federal Government for specified purposes, such as social security programs. Of the \$116.3 billion trust fund unexpended balances at the end of 1971, unobligated balances are estimated to be \$103.7 billion (89%). Trust fund obligated balances are estimated to be only \$12.6 billion (11%) of trust fund unexpended balances.

Table G-1. SUMMARY OF BALANCES (in millions of dollars)

	Balances end-of-year		
	1969 actual	1970 estimate	1971 estimate
Federal funds:			
Unobligated balances.....	54,548	49,099	51,065
Obligated balances.....	72,688	77,022	82,541
Total Federal fund unexpended balances.....	127,236	12,121	133,606
Trust funds:			
Unobligated balances.....	87,057	96,008	103,748
Obligated balances.....	11,279	11,527	12,568
Total trust fund unexpended balances.....	98,337	107,535	116,316
Total unexpended balances: Federal and trust funds.....	225,572	233,656	249,922

Note—Excludes balances rescinded or lapsing at the end of the year.

FEDERAL FUND UNOBLIGATED BALANCES

There are a variety of reasons for the unobligated balances in Federal funds. These are reflected in the categories used in table G-2. These categories are not mutually exclusive, since an individual item might be placed in more than one category, but they do serve to illustrate the basic characteristics of the balances. For purposes of this analysis, the categories cover only those accounts with balances of \$20 million or more. Accounts with unobligated balances of less than \$20 million are shown in the aggregate at the end of the table.

Guarantee and insurance programs.—The Federal Government provides guarantees and insurance in certain areas, notably in housing and banking activities. In these kinds of programs, appropriations and other budget authority are provided for contingency backup, reserves, and debt redemption. To the extent such authority is not used, the amounts are carried forward as unobligated balances. Of the \$51.1 billion Federal fund balances estimated to remain unobligated at the end of 1971, \$25.9 billion (51%) fall into this category.

The major portion of this amount (\$19.7 billion) is basically *standby and backup authority* that, it is hoped, will not be used in the foreseeable future—for example:

- \$5,715 million is available for investment in the International Bank for Reconstruction and Development and \$1,124 million for other international financial institutions, if these institutions make a "call" upon member nations for more paid-in capital;
- \$4,750 million is available for the Federal home loan banks and for the Federal Savings and Loan Insurance Corporation;
- \$3,000 million is available for the Federal Deposit Insurance Corporation; and
- \$2,250 million is available for loans to the Federal National Mortgage Association.

Table G-2. ANALYSIS OF FEDERAL FUND UNOBLIGATED BALANCES
(in millions of dollars)

Category and agency	Unobligated balances end-of-year		
	1969 actual	1970 estimate	1971 estimate
Guarantee and insurance programs: ¹			
Standby and backup authority:			
International financial institutions:			
International Bank for Reconstruction and Development.....	5,715	5,715	5,715
Other.....	918	1,124	1,124
Federal Home Loan Bank Board:			
Investment in Federal Home Loan Banks.....	1,000	4,000	4,000
Federal Savings and Loan Insurance Corporation.....	750	750	750
Federal Deposit Insurance Corporation.....	3,000	3,000	3,000
Department of Housing and Urban Development:			
Loans to Federal National Mortgage Association.....	2,250	2,250	2,250
Low rent public housing and urban renewal.....	1,597	1,373	1,176
Flood and civil disorder insurance.....	538	553	552
Federal Housing Administration fund.....	278	287	213
Veterans Administration: Loan guaranty fund.....	554	417	618
Other.....	260	260	260
Total standby and backup authority.....	16,860	19,729	19,658
Reserves for losses and debt redemption:			
Federal Home Loan Bank Board:			
Federal Savings and Loan Insurance Corporation.....	2,232	2,457	2,589
Department of Housing and Urban Development:			
Federal Housing Administration Fund.....	1,042	1,235	1,477
Government National Mortgage Association: Participation sales fund.....	855	564	698
Veterans Administration: Veterans insurance funds.....	351	410	468
Department of Agriculture: Rural housing, agriculture credit, and Federal crop insurance.....	463	112	787
Economic Assistance: Foreign investment guaranty fund and Overseas Private Investment Corporation.....	115	147	177
Other.....	90	33	35
Total reserves for losses and debt redemption.....	5,148	4,958	6,231
Total guarantee and insurance programs.....	22,008	24,687	25,889
Loan programs: ¹			
Department of Housing and Urban Development:			
Government National Mortgage Association: Special assist- ance functions.....	2,224	2,836	2,557
Loans for college housing, public facilities, and housing for the elderly or handicapped.....	2,952	2,736	2,601
Veterans Administration: Direct loan revolving fund.....	726	591	589
Department of Agriculture: Farmers Home and Rural Electrifi- cation loans.....	648	494	397
Department of Labor: Advances to Employment Security Administration.....	341	345	348
Economic Assistance: Alliance for progress and other develop- ment loan programs.....	363	350	400
Small Business Administration.....	604	283	227
Export-Import Bank.....	2,569	1,174	-----
Other.....	418	375	262
Total loan programs.....	10,845	9,184	7,381

See footnotes at end of table.

Table G-2 ANALYSIS OF FEDERAL FUND UNOBLIGATED BALANCES
(in millions of dollars)—Continued

Category and agency	Unobligated balances end-of-year		
	1969 actual	1970 estimate	1971 estimate
Procurement programs: ¹			
Department of Defense—Military.....	11,007	6,760	5,457
Department of Agriculture: Removal of surplus agricultural commodities.....	300	300	300
Other.....	187	13	344
Total procurement programs.....	11,494	7,073	6,101
Construction programs: ^{1 2}			
Department of the Interior:			
Construction grants for waste treatment.....	65	350	3,350
Parkway, road, and other construction.....	150	161	96
Department of Transportation:			
Urban mass transportation program.....	157	153	2,930
Grants-in-aid for airports, and public lands highways.....	101	152	50
Department of Defense—Military.....	1,599	1,461	1,106
Department of Agriculture: Forest roads and trails.....	310	356	324
Other.....	1,359	895	351
Total construction programs.....	3,741	3,528	8,207
Research and development programs: ¹			
Department of Defense—Military.....	949	779	740
Other.....	517		
Total research and development programs.....	1,466	779	740
Other balances: ¹			
Department of Defense—Military.....	1,219	1,207	1,466
Department of Housing and Urban Development.....	1,675	1,298	536
Department of Transportation.....	274	319	229
Other agencies.....	1,071	560	228
Total other balances.....	4,239	3,384	2,459
Balances of less than \$20 million.....	755	465	287
Total Federal fund unobligated balances.....	54,548	49,099	51,065

¹ Covers accounts with balances of \$20 million or more.

² Excludes loans for construction.

Most of the remaining balances in this category are in the Department of Housing and Urban Development, which has an estimated \$1,941 million in balances to support various kinds of programs. Of this amount, \$1,176 million is backup for guaranteed private loans in the low-rent public housing and urban renewal programs, and \$552 million is available for prompt payment to insurance companies of reinsurance claims in flood and civil disorder damage cases.

The remaining unobligated balances in this category (\$6.2 billion) are derived from fees, premiums, and other types of collections obtained from the protected groups themselves. Most of these balances are held as *reserves for losses*, and are akin to funds held in trust. Significant items in this group include \$2,589 million in fees and premiums collected from insured savings and loan institutions, \$1,477 million for Federal housing insurance, and \$468 million held in reserves for Veterans Administration insurance programs. The Department of Housing and Urban Development also has \$698 million for payment to holders of participation certificates as they mature, which is in the nature of *debt redemption*.

Loan programs.—Another sizable category of unobligated balances results from the financing of loan programs. Approximately 14%—\$7.4 billion—of unobligated Federal fund balances estimated to be carried over into 1972 is in loan programs.

These programs generally are financed through revolving or business-type funds, which are established to carry on a cycle of operations, mainly with the public. Most of these funds are expected to be self-sustaining over a period of years. Their capital requirements are supplied through appropriations or other forms of budget authority. As they generate receipts from their own operations, the funds pay interest on their borrowings and repay unneeded capital. Balances relating to the revolving funds usually consist of amounts on deposit with the Treasury or of undrawn authorizations to borrow either from the Treasury or directly from the public.

Approximately 70% of unobligated balances in this category (\$5,158 million), is in the Department of Housing and Urban Development, largely for the special assistance functions of the Government National Mortgage Association (\$2,557 million) and for loans for college housing, public facilities, and housing for the elderly or handicapped (\$2,601 million).

Many of the programs in the Department of Housing and Urban Development require budget authority on a long-leadtime basis in order to provide assurance to the potential borrower or contractor that adequate financing will be available when needed. The requirements for these programs are complex, and considerable time and money are required on the part of the applicant to develop a project to the stage where the Government can enter into a firm legal obligation. To deal with this problem, a reservation system has been worked out under which the Government—on its books—sets aside sufficient financing at the time it is convinced the applicant can develop a project that will meet requirements. These reservations are converted into legal obligations when an acceptable application is submitted and approved. The amounts so reserved are counted as unobligated until the final agreement or legally binding contract is actually consummated.

In the absence of this reservation system, many potential applicants would be unwilling to spend the time and money needed to develop applications, and projects needed to accomplish Federal objectives would not be started. On the other hand, if the Government negotiated with applicants in the absence of fund availability, the Congress and the executive branch could be faced with demands for additional appropriations from applicants who felt the Government had made a moral commitment to finance the project once it encouraged development of the application. The reservation system, therefore, protects applicants against wasted effort, and enables the Government to attain its objectives more effectively and to improve its control over the amount of outlays to which it is committed.

The Veterans Administration also carries sizable, although considerably smaller, unobligated balances for housing loan programs, totaling \$589 million at the end of 1971.

The Export-Import Bank has had sizable unobligated balances in past years. As indicated by data for the 3-year period covered by this budget, these balances are being progressively utilized in the expanded lending program of the Bank.

Major procurement programs.—Of the \$51.1 billion Federal fund balances estimated to remain unobligated at the end of 1971, \$6.1 billion (12%) is attributable to the Government's major procurement programs. Approximately \$5,457 million (90%) of the balances available for procurement is for the acquisition by the Department of Defense of capital equipment, such as aircraft, missiles, ships, combat vehicles, and other weapons. These sizable balances are due to the relatively long lead time required for such procurement and the application of a full funding policy.

Full funding has the effect of setting a limit on the size of the specific program or project. This approach discloses to Congress the estimated full cost involved before the work actually begins, and requires that the Congress approve the estimated full cost before the project is undertaken. Full funding also provides the executive branch with more flexibility in programing work if economic or other conditions change, and in making more efficient use of resources in the conduct of the work.

Under the full funding concept, it should be recognized that funds may be "committed" to a given purpose, even though legally unobligated. For example, in the Department of Defense, funds are committed when the contracting organizations are directed to proceed with procurement—that is, before invitations to bid are issued. Thus, funds are clearly earmarked for specific projects when contractors are asked to bid. This avoids having bidders go to the expense of responding to an invitation to bid, only to find that no contract can be awarded due to unavailability of funds. The practice of so earmarking funds is an important aspect of the Department of Defense's system for program and financial controls, and provides assurance to the business community that contracts will be awarded when an acceptable bid is developed.

Within the 3 years covered by this budget, the balances for military procurement are reduced by approximately 50%—in part because of rescissions in 1971, but mainly because of the decrease in the overall procurement program of the Department of Defense.

Major construction programs.—Major construction programs account for \$8.2 billion (16%) of the \$51.1 billion Federal fund balances estimated to remain unobligated at the end of 1971. Most of these balances are for the waste treatment construction grant program (\$3,350 million, or 41%) of the Department of the Interior and for the urban mass transportation program (\$2,930 million, or 36%) of the Department of Transportation. These are two major new initiatives of this administration. The balances are attributable primarily to proposed legislation that provides budget authority to be used over a 5-year period. Lesser balances (\$1,106 million) are for military construction by the Department of Defense.

The full-funding policy discussed above under procurement also applies to these major construction programs. However, there are a few that are funded on an incremental basis, principally for reclamation, rivers and harbors, and flood control projects. In these programs only small unobligated balances are sometimes carried forward.

Unobligated balances of loans for construction are excluded here. Such balances are included under loan programs.

Research and development programs.—Another category of unobligated balances relates to research and development programs. Approximately 2% of the unobligated Federal fund balances estimated at the end of 1971—\$740 million—is for research and development.

All of the unobligated balances in this category estimated at the end of 1971 are in the Department of Defense—principally for the development, testing, evaluation, and improvement of weapons systems and related equipment. The “Other” balances are held by the National Aeronautics and Space Administration, the Atomic Energy Commission, the Department of Transportation (for civil supersonic aircraft development), and the National Science Foundation. It is anticipated that these balances will be fully obligated in 1970 and 1971.

Other balances.—Of the remaining \$2.5 billion (5%) of Federal fund unobligated balances (in accounts with balances of \$20 million or more) to be carried forward into 1972, \$1,466 million is in the Department of Defense, mainly for industrial fund operations. These balances are characteristic of industrial fund activity—they are attributable to the time lag that occurs between receipt of a work order by the fund, and completion of the work required under the order.

The Department of Housing and Urban Development will have unobligated balances of \$536 million in this category at the end of 1971, representing primarily urban renewal grant authority that is reserved for obligation when acceptable applications are developed (as described above under loan programs).

The remaining \$457 million represents scattered balances among a number of programs such as State and community highway safety, buildings management, and outdoor recreation.

FEDERAL FUND OBLIGATED BALANCES

Table G-3 presents the major Federal fund obligated balances. Such balances are composed of the unpaid portion of obligations incurred by the Government in the form of orders placed, contracts awarded, and services received.

Of the \$82.5 billion Federal fund obligated balances estimated at the end of 1971, \$32.2 billion (39%) are attributable to the military programs of the Department of Defense and military assistance to our allies. The remaining obligated balances of \$50.3 billion (61%) are scattered among the various civilian agencies and programs.

The major cause of obligated balances is the long leadtime required in the procurement, construction, and research and development activities of the Federal agencies.

There is also a considerable time lag involved in grants for capital outlays, where the State or local government must be assured of the availability of Federal funds before it lets a construction contract, but the related Federal payments are phased out over several years as work is performed. This applies to urban renewal in the Department of Housing and Urban Development; urban mass transportation and airport facilities in the Department of Transportation; hospital, health, and higher education in the Department of Health, Education, and Welfare; and similar construction grant programs.

Loan programs also account for sizable obligated balances due to the lag between the signing of the loan contract that creates the obligation, and the payments over a period of time as cash is needed by the borrower. This applies to loans to foreign borrowers such as those made by the Export-Import Bank and the Agency for International Development, and to domestic loans for programs such as rural electrification in the Department of Agriculture.

Table G-3. FEDERAL FUND OBLIGATED BALANCES (in millions of dollars)

Description	Obligated balances end-of-year		
	1969 actual	1970 estimate	1971 estimate
Department of Defense—Military:			
Procurement.....	18,814	19,753	19,616
Operation and maintenance.....	3,097	3,036	2,893
Research and development.....	3,519	3,758	3,760
Construction.....	1,098	1,031	1,764
Military personnel.....	697	887	1,009
Other.....	2,276	1,950	1,891
Total Department of Defense—Military.....	29,501	30,415	30,933
Military assistance.....	1,299	1,346	1,280

Table G-3. FEDERAL FUND OBLIGATED BALANCES (in millions of dollars)—Con.

Description	Obligated balances end-of-year		
	1969 actual	1970 estimate	1971 estimate
Civilian agencies:			
Funds appropriated to the President:			
Economic assistance	3,211	2,923	3,052
International financial institutions	1,585	1,834	2,254
Office of Economic Opportunity	1,075	1,182	1,007
Other	614	838	664
Department of Agriculture:			
Commodity Credit Corporation	4,702	3,719	3,889
Rural Electrification Administration	1,159	1,117	1,095
Other	1,004	1,054	880
Department of Commerce (mostly economic development and maritime programs)	1,184	1,223	1,357
Department of Defense—Civil	296	264	388
Department of Health, Education, and Welfare:			
Office of Education (mainly grants to colleges, universities, local school districts, and other educational institutions) ..	3,203	2,729	2,474
Health services and mental health (mostly community mental health and hospital construction)	1,451	1,487	1,457
National Institutes of Health	1,538	1,559	1,589
Social Rehabilitation Service (mainly grants to States)	1,791	2,093	2,429
Other	116	165	312
Department of Housing and Urban Development:			
Renewal and housing assistance (mainly urban renewal and low-rent public housing)	4,791	5,296	6,074
Metropolitan development	712	775	792
Model cities and governmental relations	243	514	654
Mortgage credit (mostly Government National Mortgage Association—special assistance functions)	1,725	2,445	2,113
Other	19	40	75
Department of the Interior (principally grants for waste treatment and public outdoor recreation)	1,117	1,610	2,241
Department of Labor (manpower development and training) ..	471	735	1,184
Post Office Department (contribution to the postal fund)	803	961	1,247
Department of Transportation (mainly airport facilities and development; and urban mass transportation)	1,043	1,199	1,381
Atomic Energy Commission (mostly research and development) ..	1,268	1,428	1,380
National Aeronautics and Space Administration (mostly research and development)	1,405	1,564	1,514
Veterans Administration (mainly veterans compensation and pensions)	809	817	896
Export-Import Bank	2,818	3,562	5,052
Other civilian agencies	1,734	2,128	2,878
Total civilian agencies	41,887	45,261	50,328
Total Federal fund obligated balances	72,688	77,022	82,541

TRUST FUND BALANCES

The balances of trust funds are shown in table G-4. The amounts include both unobligated and obligated balances of trust fund authorizations. The unobligated balances include both the open book balances and investments in U.S. securities. The investments in such securities are held until funds are needed to meet statutory requirements in subsequent years.

Table G-4. TRUST FUND BALANCES (in millions of dollars)

Description	Balances end-of-year					
	1969		1970		1971	
	Unobligated	Obligated	Unobligated	Obligated	Unobligated	Obligated
Federal old-age and survivors insurance trust fund.....	26,145	1,974	29,956	2,385	32,520	2,491
Federal disability insurance trust fund.....	3,459	201	4,756	254	6,363	276
Federal hospital insurance trust fund.....	1,957	18	2,210	11	3,077	16
Federal supplementary medical insurance trust fund.....	372	6	50	17	224	26
Unemployment trust fund.....	12,526	38	13,059	38	13,189	38
Railroad retirement accounts.....	4,502	131	4,572	147	4,649	150
Civil service retirement and disability fund.....	20,230	204	21,674	234	23,081	267
Federal employees health benefits funds.....	105	26	103	13	107	12
Federal employees life insurance fund.....		654		801		955
Highway trust fund ¹	4,264	7,102	5,783	6,691	6,519	7,286
National service life insurance fund.....	5,915	332	6,040	340	6,102	356
U.S. Government life insurance fund.....	822	23	786	21	749	22
Foreign military sales trust fund.....	2,415	227	2,315	207	2,135	282
Federal Deposit Insurance Corporation funds.....	3,870	290	4,181	311	4,522	329
Other trust funds.....	475	53	523	57	511	62
Total trust funds.....	87,057	11,279	96,008	11,527	103,748	12,568

¹ Includes Right-of-way revolving fund for all 3 years; and Forest highways and Public lands highways for 1971.

SPECIAL ANALYSIS H

CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

In July 1969, statutory controls on the hiring of Federal civilian employees were replaced by more flexible administrative controls. Under these administrative controls, full-time permanent employment at the end of fiscal year 1970 will be 90,700 less than that planned by the outgoing administration in the original 1970 budget.

It is planned that Government-wide full-time permanent employment will not increase in fiscal year 1971. Increases in 1971 to accommodate new programs and an expanding Federal workload for a growing population will be offset by decreases in employment in the Defense Department and by selective reductions in a number of agencies made possible by changing program emphases and improved efficiency and productivity.

The estimates in this analysis for both full-time permanent and total employment reflect continued vigilance over employment levels and sustained efforts by agency managers to absorb workload increases through productivity improvements and modern management techniques.

FULL-TIME PERMANENT CIVILIAN EMPLOYMENT

In fiscal year 1969, reductions in Federal employment were required by section 201 of the Revenue and Expenditure Control Act of 1968. Because section 201 imposed a formula for the reduction of employment with little regard for the growing Federal workload, the administration sought, and the Congress agreed, to rescind that section of the act effective in July 1969. The formula that had been imposed by the law resulted in a reduction of 57,177 in the full-time permanent Federal civilian employment covered by the act. This was partially offset by increases in agencies which Congress had exempted from the law. There was a net reduction in full-time permanent employment of 36,350. Full-time permanent employment on June 30, 1969, was 2,633,762.

The level of full-time permanent civilian employment in the executive branch anticipated for June 30, 1970, is 2,602,800, or 42,900 fewer than the 2,645,700 announced on April 15, 1969, and 90,700 fewer than estimated in January 1969. Reductions have been applied selectively to various agencies taking account of workload, productivity, and other related factors. The bulk of the decrease falls in the Department of Defense. Other agencies with major overseas employment will bear a share of the cutback. The overall reduction will be attained even with the provision for a substantially increased personnel contingency allowance, which is designed to give the President greater flexibility in reallocating personnel resources than was possible under the employment limitations of the Revenue and Expenditure Control Act of 1968.

Full-time permanent civilian employment is estimated to reach 2,597,200 by the end of fiscal year 1971. About 43% of these employees will work in the Department of Defense, another 23% in the Post Office, and about 6% in the Veterans Administration. These three agencies account for about 72% of all permanent full-time employment in the executive branch.

Table H-1 displays the estimated changes in yearend civilian full-time permanent employment between fiscal years 1970 and 1971. The total anticipated increase in the civilian agencies of about 45,200 and in the contingency allowance of 5,000 is offset by a reduction of approximately 55,800 in the Department of Defense resulting in a Government-wide decrease of 5,600.

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

Agency	As of June			Change 1970-71
	1969 actual	1970 ¹ estimate	1971 ¹ estimate	
Department of Defense, Military and Military Assistance.....	1,225,877	1,165,900	1,110,100	-55,800
Post Office Department.....	562,381	567,000	585,000	18,000
Subtotal.....	1,788,258	1,732,900	1,695,100	-37,800
Department of Agriculture.....	83,425	83,000	85,300	2,300
Department of Commerce.....	25,364	25,600	26,700	1,100
Department of Defense, Civil.....	31,214	30,700	31,000	300
Department of Health, Education, and Welfare.....	102,941	102,500	105,100	2,600
Department of Housing and Urban Development.....	14,307	14,900	16,000	1,100
Department of the Interior.....	58,156	59,300	61,100	1,800
Department of Justice.....	35,106	37,600	39,100	1,500
Department of Labor.....	9,723	10,300	10,800	500
Department of State.....	24,658	23,900	23,400	-500
Department of Transportation.....	60,386	63,600	70,300	6,700
Treasury Department.....	79,982	86,700	93,500	6,800
Atomic Energy Commission.....	7,047	7,000	6,900	-100
General Services Administration.....	36,176	36,400	36,800	400
National Aeronautics and Space Administration.....	31,733	31,400	30,600	-800
Veterans Administration.....	147,606	148,500	150,200	1,700
Other agencies:				
Agency for International Development.....	15,753	15,000	14,400	-600
Civil Service Commission.....	4,970	5,300	5,500	200
Office of Economic Opportunity.....	2,856	2,400	2,500	100
Selective Service System.....	6,584	6,600	6,500	-100
Small Business Administration.....	4,099	4,100	4,100	---
Tennessee Valley Authority.....	11,987	12,300	13,300	1,000
The Panama Canal.....	14,731	14,700	14,900	200
United States Information Agency.....	10,500	10,200	10,100	-100
Miscellaneous Agencies.....	26,200	27,800	28,900	1,100
Subtotal.....	845,504	859,900	887,100	27,200
Allowance for contingencies.....	---	10,000	15,000	5,000
Total.....	2,633,762	2,602,800	2,597,200	-5,600

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

Note: Totals may not add due to rounding.

The employment increase in the civilian agencies for 1971 is required to provide more public services for an expanding population and a growing economy. Ten agencies account for the bulk of the necessary employment increases:

(1) The Post Office Department, up 18,000, to service an increase in mail volume and a substantial rise in the number of delivery stops caused mainly by more patrons in suburban areas.

(2) The Treasury Department, up 6,800, mainly for rising workloads in Internal Revenue Service operations related to the processing of tax returns filed and audited.

(3) The Department of Justice, up 1,500, primarily for increased Federal law enforcement activities and for an expected 11 million additional inspections by the Immigration and Naturalization Service.

(4) The Department of Transportation, up 6,700, principally in the Federal Aviation Administration to operate new facilities and to service an increase in landings and takeoffs at airports with FAA control towers.

(5) The Department of Housing and Urban Development, up 1,100, primarily in the Federal Housing Administration to process a large increase in mortgage insurance applications and for increased workload in the Fair Housing and Equal Opportunity program.

(6) The Veterans Administration, up 1,700, to extend specialized medical services, such as units for intensive coronary care and alcoholic treatment, and to provide better medical care for an increasing caseload.

(7) The Department of Health, Education, and Welfare, up 2,600, primarily to handle the increased workload of the Social Security Administration in such areas as processing claims, maintaining earnings records and changing beneficiary status.

(8) The Department of Agriculture, up 2,300, largely to service an increase in the rural housing loan program for low and moderate income families, for increases in food assistance, meat and poultry inspection programs, and for facilitating increased timber sales.

(9) The Department of Commerce, up 1,100, for a variety of increased services including more export and travel promotions, improved weather forecasting and the establishment of new air quality control units.

(10) The Department of the Interior, up 1,800, mainly to expand coal mine health and safety inspections, to increase educational services for American Indians and to speed up the issuance of construction grants for local waste treatment plants.

Offsetting these increases, employment has been reduced in defense, space, and overseas programs. Most of the employment decreases occur in four agencies:

(1) The Department of Defense, down 55,800, due to declining manpower requirements.

(2) The National Aeronautics and Space Administration, down 800, reflecting the closing of the Electronic Research Center and the slowing pace of the space program.

(3) The State Department, down 500, as the Department seeks to accomplish its work with fewer staff.

(4) Agency for International Development, down 600, due to a generally reduced level of activity.

TOTAL FEDERAL PERSONNEL

Approximately 89% of total Federal civilian employment is made up of full-time permanent employees. The remainder consists of part-time employees, intermittent employees (those employed on an irregular or occasional basis) and full-time temporary employees (those in positions occupied for less than a year).

Total Federal Government employment also includes Armed Services personnel and employment in the legislative and judicial branches. These figures are given in table H-2.

Table H-2. TOTAL FEDERAL GOVERNMENT EMPLOYMENT

Description	1969 actual	1970 estimate	1971 estimate
Civilian employment in the executive branch:			
Full-time permanent ¹	2,633,762	2,602,800	2,597,200
Other than full-time permanent ²	346,368	322,000	322,000
Armed Services personnel on active duty:			
Department of Defense.....	3,459,423	3,160,700	2,908,100
Department of Transportation (Coast Guard).....	39,304	38,300	38,700
Subtotal.....	6,478,857	6,123,800	5,866,000
Legislative and judicial personnel.....	36,285		
Total.....	6,515,142		

¹ Excludes Public Service Careers disadvantaged worker-trainees in 1970 and 1971.

² Excludes summer workers under the President's Youth Opportunity Campaign; merchant seamen on vessels under Federal shipping contracts; employees for the 19th decennial census; disadvantaged students employed part time in 1970 and 1971.

PERSONNEL COMPENSATION AND BENEFITS

Selected data on the total Federal payroll and related costs are shown in table H-3.

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

Description	1969 actual	1970 estimate ¹	1971 estimate ¹
Total civilian personnel costs: ²			
Direct compensation.....	24,663	26,700	26,700
Personnel benefits.....	2,013	2,200	2,300
Total.....	26,676	28,900	29,000
Total armed forces personnel costs: ³			
Direct compensation.....	14,519	15,700	14,700
Personnel benefits.....	4,338	4,400	4,200
Total.....	18,857	20,100	18,900

¹ Excludes budget allowance of \$0.2 billion for the postal pay adjustment part of the proposed postal reform for 1970 and \$1.4 billion for military and civilian pay increases for 1971.

² Excludes Members and officers of Congress.

³ Excludes Reserve components.

Direct compensation includes regular pay; special pay for overtime, Sunday, holiday, and standby time; differentials for night work 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, allowances for subsistence, reenlistment bonuses, and certain other cash payments.

The obligations to be incurred for civilian personnel compensation and benefits in 1971 are estimated at \$29 billion.

Some of the personnel compensation is offset by proprietary receipts and compensation of others is paid from public enterprise funds (such as the Post Office). The cost of these employees, included in table H-3, amounts to over \$7.5 billion in 1971.

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. In December 1967, the Congress enacted pay legislation which authorized the President, without additional congressional approval, to set salary rates consistent with the standards set forth in the 1962 Salary Reform Act. The third and final step under the 1967 act was accomplished when Federal pay rates were adjusted in July 1969 to achieve comparability with 1968 private industry salary levels.

In order to make Federal salaries comparable to 1969 private enterprise rates, an average civilian and military pay increase of 5.75% is proposed effective in January 1971. An overall allowance of \$1.4 billion is carried in the budget to cover this increase for 1971. This figure includes the 1971 cost for adjustments in postal field service pay accompanying postal reform.

GEOGRAPHICAL DISTRIBUTION OF EMPLOYMENT

The geographical distribution of Federal civilian employment is given in table H-4. Most Federal employees—over 81%—work in the various States. Less than 11% work in the Washington, D.C., metropolitan area (including nearby Maryland and Virginia). The remaining 8% are in foreign countries and in U.S. territories and possessions. Most of the employees in foreign countries are nationals of the countries in which they work.

Table H-4. FEDERAL CIVILIAN EMPLOYMENT BY GEOGRAPHICAL LOCATION (as of June 1969)

Location	Total employment ¹	Location	Total employment ¹
Washington, D.C., metropolitan area	² 328,077	Oregon	24,936
Alabama	58,092	Pennsylvania	149,183
Alaska	15,350	Rhode Island	16,143
Arizona	27,644	South Carolina	31,314
Arkansas	17,494	South Dakota	9,979
California	326,338	Tennessee	42,686
Colorado	44,143	Texas	153,409
Connecticut	20,065	Utah	41,247
Delaware	4,712	Vermont	3,811
Florida	72,488	Virginia	³ 84,041
Georgia	79,655	Washington	58,100
Hawaii	29,213	West Virginia	13,706
Idaho	8,428	Wisconsin	26,701
Illinois	118,339	Wyoming	5,414
Indiana	44,931	Undistributed	⁴ -5,825
Iowa	18,588	Summer youth	-54,174
Kansas	23,988		
Kentucky	38,647	Total United States	2,772,081
Louisiana	29,869		
Maine	8,624	Outside United States:	
Maryland	³ 68,450	Territories and possessions	37,574
Massachusetts	68,048	Foreign countries	206,760
Michigan	55,275		
Minnesota	29,914	Total outside United States	244,334
Mississippi	21,194	U.S. citizens	(58,477)
Missouri	68,620	Foreign nationals	⁵ (185,857)
Montana	10,878		
Nebraska	16,296	Total employment	3,016,415
Nevada	9,027	Legislative and judicial	-36,285
New Hampshire	13,495		
New Jersey	70,460	Total executive branch	2,980,130
New Mexico	26,974	Distributed as follows:	
New York	187,767	Full-time permanent	(2,633,762)
North Carolina	38,874	Temporary, part time, and intermittent	(346,368)
North Dakota	7,942		
Ohio	105,793		
Oklahoma	57,718		

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 Merchant seamen on vessels under Federal shipping contracts.⁵ Excludes 114,658 foreign nationals provided to the Department of Defense under contract agreements, or other arrangements with foreign governments which provide for the furnishing of personal services.

TRENDS IN WORKLOAD

An increasing population and a steadily expanding economy create an unavoidable increase in the volume of work under certain government programs. While defense and space programs have been reduced, domestic programs are increasing in 1971; for example:

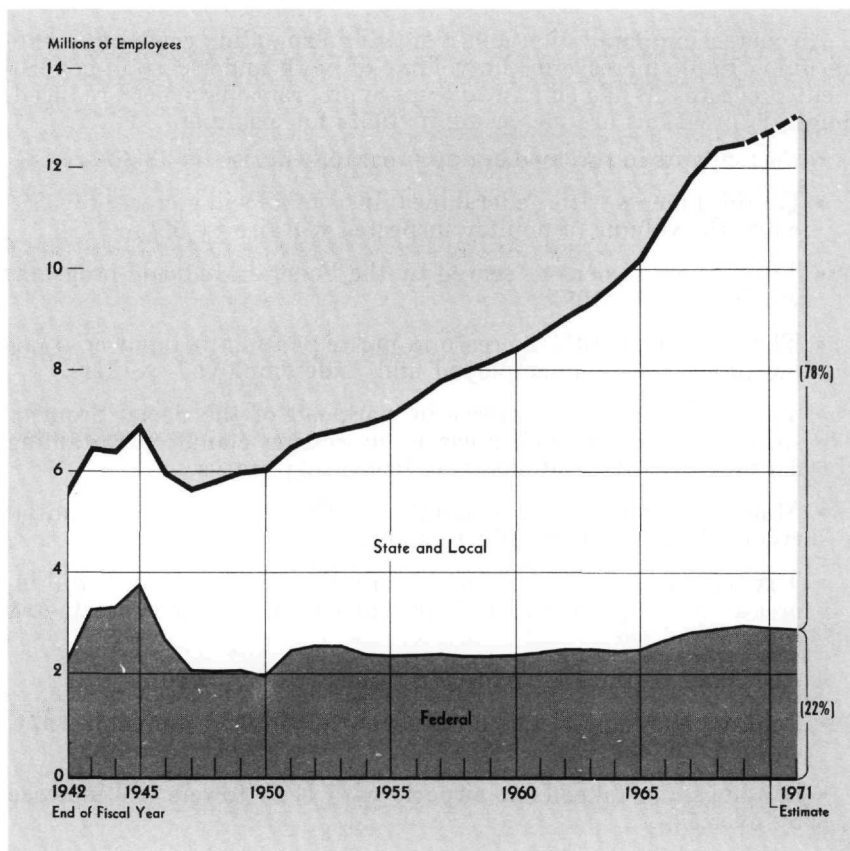
- Participants in the food stamp program will rise by 38%.
- Establishments with Federal meat inspectors will increase by 58% while the volume of poultry inspected will rise by 5%.
- The number of persons served by the Federal Medicaid programs will increase by 10%.
- There will be a 10% increase in participants in manpower training programs for unemployed and underemployed workers.
- There will be a 6% increase in workload of the Social Security Administration in such areas as processing claims, maintaining earnings records, and changing beneficiary status.
- Mail volume will increase 2.4% and there will be a substantial rise in the number of delivery stops.
- Tax return processing under the Tax Reform Act of 1969 will increase in complexity and there will be an 11% increase in tax returns audited.
- FBI investigations are expected to increase by 5,000.
- Family planning assistance will reach 2.25 million women in 1971, an increase of 42%.
- Landings and takeoffs at airports with FAA towers will increase by over 5%.
- The number of persons arriving in this country will increase by 5.4% and cargo entries will increase by 7%.
- There will be 11 million additional inspections by the Immigration and Naturalization Service.

These are a few of the many workload increases expected in 1971. The growth in related manpower needs is kept to a minimum by requiring steadily greater productivity.

POPULATION AND GOVERNMENT EMPLOYMENT COMPARISONS

The following chart shows the total Government Civilian Employment and the ratio of Federal to State and local civilian employment. For the past 20 years the proportion of Federal to total employment in all governmental units has been declining and is estimated to be at 22% in 1971.

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 1942-71 is shown in table H-5.

The ratio of Federal civilian employment to population has been decreasing since 1968 and is estimated to be 14 per thousand in 1971.

Table H-5. GOVERNMENT EMPLOYMENT AND POPULATION, 1942-71

Fiscal year	Government employment				Population	
	Federal executive branch ¹ (thousands)	State and local governments (thousands)	All governmental units (thousands)	Federal as percent of all governmental units	Total United States (thousands)	Federal employment per 1,000 population
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	192,120	12.9
1965.....	2,496	7,700	10,196	24.5	194,592	12.8
1966.....	2,664	8,320	10,984	24.3	196,920	13.5
1967.....	2,877	8,898	11,775	24.4	199,118	14.4
1968.....	2,951	9,437	12,388	23.8	201,166	14.7
1969.....	⁴ ⁵ 2,980	9,516	12,496	23.8	203,635	14.6
1970 (estimate).....	⁵ 2,925	(⁶)	-----	23.0	-----	14.2
1971 (estimate).....	⁵ 2,919	(⁶)	-----	22.4	-----	14.0

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

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

⁵ Excludes temporary, part-time, and intermittent employees for the 19th decennial census: 883 in 1969, 134,400 in 1970, 3,000 in 1971.

⁶ An official projection of State and local government employment for 1970 and 1971 is not available. The percentages shown for these years are consistent with a range of reasonable estimates based on recent trends in population and State and local government activity.

PART 2

FEDERAL SOCIAL PROGRAMS

INTRODUCTION

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

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

The Government's commitment of resources to these purposes is evidenced in the tabulation below by the totals for 1971 budget outlays in the various analyses. This is not a complete representation, however, since some resources also go into other social programs that are not explicitly covered by a special analysis in this volume.

FEDERAL OUTLAYS FOR SELECTED SOCIAL PROGRAMS

(In millions of dollars)

Description	Outlays		
	Civilian agencies	Department of Defense	All agencies
Special analysis:			
I. Education.....	9,689	963	10,652
J. Manpower.....	3,216	20	3,236
K. Health.....	18,604	1,998	20,602
L. Income security.....	68,393	3,193	71,586
M. Reduction of crime.....	1,257		1,257
N. Housing.....	283	449	732
Deduction for duplications included above.....	—14,726	—16	—14,742
Total.....	86,716	6,607	93,323

Some activities of the Government serve more than one social purpose; for example, the Medicare and Medicaid programs may be considered as a part of both the Federal health and income security programs. About \$11,888 million for 1971 is included in both the health and income security categories. Thus, in adding the six categories to a total, a deduction must be made to avoid double counting.

SPECIAL ANALYSIS I

FEDERAL EDUCATION PROGRAMS

PART I—OVERVIEW

Federal budget outlays for education are estimated at \$10.7 billion for 1971, an increase of \$597 million over 1970 and more than five times the level in 1960. Education outlays represent 5% of all Federal spending compared with only 2% in 1960.

Federal programs discussed in this analysis serve two main purposes. The first is to support *educational institutions* as such, or to support *individuals* who are attending such institutions. This purpose is achieved principally through activities of the Office of Education (OE), education benefits paid to former servicemen under the GI bill, and payments to students who are children of deceased or disabled social security beneficiaries. Also included are the Head Start, Follow Through, and other education programs funded by the Office of Economic Opportunity (OEO), science education programs in the National Science Foundation, college housing loans in the Department of Housing and Urban Development, education of American Indians under the Department of the Interior, and education of dependents of U.S. military personnel overseas. These activities represent 61% of the total Federal spending for education.

The second purpose is to support education as a *means for accomplishing other national objectives*. Included in this category are such

Table I-1. MAJOR FEDERAL EDUCATION ACTIVITIES (in billions of dollars)

Program	Outlays		
	1969 actual	1970 estimate	1971 estimate
Office of Education programs (HEW).....	3.5	3.7	3.9
Head Start and Follow Through (OEO).....	.5	.5	.5
NSF science education.....	.1	.1	.1
College housing loans (HUD).....	.2	.2	.2
Education of American Indians (Interior) and overseas dependents (DOD).....	.2	.3	.3
GI education benefits (VA).....	.6	.9	1.1
Social security benefits for children in school (HEW).....	.5	.5	.5
Subtotal, direct support.....	5.6	6.2	6.5
Research at academic institutions ¹ (19 agencies).....	1.4	1.4	1.4
Health and other scientific manpower training ¹ (9 agencies).....	.6	.8	.8
Training of Federal and other public employees at educational institutions (12 agencies).....	.5	.6	.6
Agricultural extension (Agriculture).....	.1	.1	.2
Education aid to foreign countries (AID).....	.2	.2	.2
All other.....	.7	.8	1.0
Subtotal, other education.....	3.4	3.9	4.2
Total.....	9.0	10.1	10.7

¹ Excludes portion included in Office of Education.

diverse activities as support of university research to extend medical knowledge, training of manpower to improve delivery of health services, agricultural extension services, Agency for International Development assistance to schools and colleges abroad, and professional training of military officers. Such activities account for 39% of total outlays for education.

Table I-1 identifies the principal groups of Federal activities included in this analysis.

Since 1960, Federal education outlays have risen more than \$8 billion. Of this amount, \$3 billion has been for elementary and secondary education, over an eightfold increase. The Federal investment in higher education has risen by \$4 billion and is now almost five times the 1960 level. Federal education funds provide 14% of the total spending in U.S. education institutions. Table I-2 summarizes the trend in Federal outlays by level of education since 1960.

Table I-2. FEDERAL OUTLAYS FOR EDUCATION (1960-71) (in billions of dollars)

Category	Actual										Estimated	
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Elementary and second-ary-----	0.4	0.5	0.5	0.6	0.6	0.8	2.2	2.8	3.2	3.1	3.3	3.5
Higher-----	1.1	1.2	1.3	1.6	1.7	2.0	2.7	3.6	4.4	4.4	5.0	5.3
Adult and other-----	.5	.5	.6	.6	.8	.8	.9	1.2	1.2	1.6	1.8	1.9
Total-----	2.0	2.1	2.4	2.8	3.1	3.6	5.8	7.5	8.8	9.0	10.1	10.7

The remainder of part I of this analysis highlights Federal education policies and budget proposals for 1971, and indicates the degree to which different Federal agencies are supporting education. Part II discusses the principal Government programs by level of education. Part III contains technical notes on coverage and scope of the analysis and the relationship to other analyses in the Federal budget.

EDUCATION POLICIES AND THE 1971 BUDGET

The Government has taken on many new responsibilities in education over the past decade and there are now literally hundreds of separate Federal grants, loans, and direct services. These programs were developed with the expectation that they would improve school programs and raise academic achievement. All too often this expectation has not been fulfilled.

In the field of domestic policy, the Federal Government is placing special emphasis on basic reforms to improve program performance. Major actions are necessary to achieve better performance and vitally needed reform in the critical area of education. The Government is concerned more with the *outputs* of the Nation's education system (e.g., proportion of students able to read adequately) than with

the *inputs* (e.g., number of teachers). Looking broadly at Federal education programs, the purpose of the Government and its role and direction in education can be organized under six points. These points and the principal budget outlay data which are pertinent to them are highlighted in the following paragraphs.

First, broader support is required for State and local government. New initiatives of the Administration which will fundamentally affect education include (a) a proposed plan for sharing a fixed and growing portion of the Federal tax base with the States to use as they determine, (b) a reform of the Nation's failing welfare system which will free States of a significant portion of fast-growing welfare costs and lead to a more stable home environment for thousands of children, and (c) consolidation of narrow purpose elementary and secondary grants into broader purpose ones to give States more choice in use of funds. More grant consolidations will be proposed for the coming year.

Second, greater use will be made of research, experimental projects, and systematic evaluation to develop better approaches to education. The Nation should apply those techniques for advancement and renewal which have been successful in such fields as agriculture and space.

	<i>Budget outlays (dollars in millions)</i>		
	<i>1970 estimate</i>	<i>1971 estimate</i>	<i>Change</i>
• Office of Education research, development, and evaluation.....	102	114	+12
• Follow Through.....	46	55	+9
• OEO experimentation in education.....	4	14	+10
• Vocational exemplary projects.....	6	17	+11
• Dropout prevention projects.....	7	10	+3

Third, more emphasis will be given to needs of younger children where the developmental process is still underway. This is a critical period in which educational deprivation often begins and the future course of a life may be determined.

	<i>Budget outlays (dollars in millions)</i>		
	<i>1970 estimate</i>	<i>1971 estimate</i>	<i>Change</i>
• Head Start experimental projects.....	8	16	+8
• Office of Child Development planning, coordination, research, and statistics.....	-----	5	+5
• OEO day care experimentation.....	2	20	+18

Fourth, the budget proposes reduction, redirection or elimination of activities which are outdated, which fail to achieve their objectives, or which are not reaching high priority targets. Legislation will be proposed to revise the authorizations for payments to schools in federally affected areas, a program which provides funds disproportionate to the financial impact of Federal property on school tax revenues and often far in excess of fiscal need. The budget also proposes termination of operational grants to land-grant institutions; such funds are but a minute source of revenue for these institutions which collectively are among the strongest and most prestigious institutions of higher education in the Nation.

	<i>Budget outlays (dollars in millions)</i>		
	<i>1970 estimate</i>	<i>1971 estimate</i>	<i>Change</i>
• Assistance to schools in federally affected areas.....	397	340	-57
• Assistance to land grant colleges.....	12	-----	-12
• University extension.....	9	2	-7

Fifth, the Federal Government will, as a primary objective, support programs for individuals who need special educational services in order to realize their full potential. For example, in 1971, it is estimated that outlays for education of individuals from low-income families will total \$2.8 billion, or 26% of the total Federal education spending.

	<i>Budget outlays (dollars in millions)</i>		
	<i>1970 estimate</i>	<i>1971 estimate</i>	<i>Change</i>
• Title I, education of the disadvantaged.....	1,140	1,249	+110
• Grants, work-study, and special services for college students from low-income families.....	340	381	+41
• Social security payments for youth in school or college.....	474	496	+22
• Agricultural extension programs.....	130	171	+41
• Education of American Indians.....	153	165	+12
• Model Cities grants.....	50	100	+50

Sixth, greater use will be made of the resources of the private credit market to assist individuals and institutions in meeting heavy one-time costs which can be repaid over a period of years. Through Federal guarantees and subsidies, \$1.7 billion is estimated for support of education in 1971 in addition to the Federal outlays reflected in this analysis.

	<i>Budget outlays (dollars in millions)</i>		
	<i>1970 estimate</i>	<i>1971 estimate</i>	<i>Change</i>
• Guaranteed loans to students:			
Interest costs paid by Federal Government.....	109	140	+31
(Total volume of loans made to students by private lenders).....	(794)	(940)	(+146)
• Construction of college academic facilities:			
Interest costs paid by Federal Government.....	10	20	+10
(Total volume of loans made to institutions by private lenders).....	(435)	(478)	(+43)
• Construction of college housing facilities:			
Cumulative interest contracted by Federal Government.....	12	21	+ 9
(Total volume of loans made to institutions by private lenders).....	(50)	(240)	(+190)

In addition to the foregoing actions reflected in the 1971 budget, significant changes are occurring in other activities included in the Education special analysis. Educational benefits for returning servicemen will increase from \$894 million in 1970 to an estimated \$1,078 million in 1971. These amounts provide for increased levels of participation of veterans in such benefits and for needed increases in the payment rates to keep abreast of rising costs. Increases are also estimated for training of health services manpower (\$78 million), research and development at academic institutions (\$26 million) and support of education in foreign countries under AID programs (\$30 million).

FEDERAL SUPPORT OF EDUCATION BY AGENCY

Table I-3 provides a summary of total Federal outlays for education by administering agency. It shows that only two-fifths of these outlays are for programs administered by the U.S. Office of Education, the Federal Government's principal agency for education programs. Other parts of the Department of Health, Education, and Welfare account for one-fifth of all Federal outlays for education, primarily for medical education and research programs conducted at colleges and universities.

The remaining two-fifths of total Federal education outlays are distributed among 24 Federal departments and agencies, of which the largest shares are accounted for by the Department of Defense, the Veterans Administration, the National Science Foundation, and the Office of Economic Opportunity.

Table I-3. FEDERAL OUTLAYS FOR EDUCATION BY AGENCY
(in millions of dollars)

Federal agency	1960		1969 actual	1970 estimate	1971	
	Actual	Percent			Estimate	Percent
Agriculture.....	109	5	190	243	299	3
Defense.....	338	17	897	937	963	9
Health, Education, and Welfare:						
Office of Education.....	450	22	3,473	3,737	3,867	36
Other HEW.....	197	10	1,565	1,772	1,913	18
Housing and Urban Development.....	203	10	180	285	264	2
Interior.....	67	3	215	273	309	3
National Science Foundation.....	120	6	488	489	489	5
Office of Economic Opportunity.....			525	529	542	5
Veterans Administration.....	378	19	719	980	1,170	11
Other ¹	179	9	756	810	835	8
Total Federal outlays.....	2,041	100	9,008	10,055	10,652	100

¹ Includes Commerce, Justice, State, Transportation, AEC, AID, NASA, National Foundation on the Arts and the Humanities, Small Business Administration, Smithsonian Institution, TVA, USA, GPO, and Library of Congress.

PART II—FEDERAL OUTLAYS FOR EDUCATION BY LEVEL

PRESCHOOL, ELEMENTARY, AND SECONDARY EDUCATION

In 1971, outlays for preschool, elementary, and secondary education will amount to \$3,490 million, an increase of \$198 million over 1970. Federal funds supply about 8% of national expenditures on elementary and secondary education in public and nonpublic schools.

Table I-4 displays Federal outlays by agency and major program. Nearly two-fifths of the total is for Title I of the Elementary and Secondary Education Act providing support for school remedial, health, and other services for children from low-income families. Head Start and assistance to schools in federally affected areas each represent one-tenth of the total Federal outlays.

Table I-5 displays Federal outlays by sublevel and type of support. The following paragraphs describe current Federal actions by sublevel.

Table 1-4. FEDERAL OUTLAYS FOR PRESCHOOL, ELEMENTARY AND SECONDARY EDUCATION BY AGENCY AND PROGRAM (in millions of dollars)

Agency and program	1969 actual	1970 estimate	1971 estimate
Office of Economic Opportunity:			
Head Start.....	350	324	327
Follow Through.....	18	46	55
Neighborhood Youth Corps in school.....	61	62	62
Other.....	14	13	39
Defense:			
Education of overseas dependents.....	108	128	135
Health, Education, and Welfare:			
Office of Education:			
Educationally deprived children.....	1,073	1,140	1,249
Education of the handicapped.....	54	70	78
Dropout prevention and bilingual education.....	1	14	19
Aid to federally affected areas.....	398	397	340
Supplementary services.....	322	209	173
Education professions development.....	65	126	130
Vocational education.....	154	179	205
Educational research and development.....	83	91	98
Civil rights education.....	8	14	26
Other.....	38	36	38
Social Security (student benefits).....	91	95	99
Other HEW programs.....	16	19	31
Interior:			
Indian education.....	104	124	134
Other.....	14	18	28
National Science Foundation: Science education.....	59	55	48
Other Federal agencies.....	55	132	176
Total.....	3,087	3,292	3,490

Table 1-5. FEDERAL OUTLAYS FOR PRESCHOOL, ELEMENTARY AND SECONDARY EDUCATION BY SUBLEVEL AND TYPE OF SUPPORT (in millions of dollars)

Sublevel and type of support	1969 actual	1970 estimate	1971 estimate
Total preschool, elementary and secondary.....	3,087	3,292	3,490
Preschool.....	416	408	447
Elementary and secondary.....	2,172	2,261	2,368
Vocational education.....	226	268	298
Other.....	272	355	377
Current operations.....	2,581	2,660	2,796
Facilities and equipment.....	123	124	122
Student support.....	99	104	110
Teacher training.....	148	215	218
Educational research.....	136	189	244

Preschool.—Research findings strongly support the contention that a child's potential is determined to a significant extent by the nature of his environment during the first 5 years of life. In order to break the chain of inherited disadvantage from poverty, it is necessary to reach children before they enter school. Many questions remain unanswered as to what action should be taken by persons outside the family and what objectives are to be accomplished. The Federal Government is supporting the exploration of such questions through several complementary efforts. Those included in the tabulations of this special analysis are:

- A new Office of Child Development (OCD), created in the Department of Health, Education, and Welfare to provide leadership and coordination for all Federal programs for preschool children.
- Head Start, funded by the Office of Economic Opportunity and administered by OCD, providing a variety of services—educational, medical, and social—for 248,000 three- to five-year-old children. The results of recent studies on the retention of developmental gains made by Head Start children have been disappointing. Consequently, increased funding is allowed in 1971 for systematic testing of a variety of approaches to preschool.
- Kindergarten and prekindergarten supported under Title I of the Elementary and Secondary Education Act at the option of local school districts.
- The Office of Economic Opportunity program of day care experimentation in 1970, which will be continued and expanded in 1971. Analysis will be made of the total need for day care, of the costs of day care services under varying conditions and of alternative methods of service organization and delivery.
- Preschool and day care activities supported through a portion of the Model Cities grants, made by the Department of Housing and Urban Development.

Other programs, not included in Special Analysis I tabulations, also support services which have a potentially significant impact on development of child learning abilities:

- Day care services provided through Federal manpower and social service programs. Principal efforts include Work Incentive training and day care, and funds for social services supported by Assistance to Families With Dependent Children and Child Welfare grants under the Department of Health, Education, and Welfare. The Administration has proposed in the Family Assistance Program (FAP) to expand and improve day care services for Family Assistance recipients.
- Nutrition programs of the Department of Agriculture and health research being conducted by the National Institute of Child Health and Human Development.

Table I-6 details the enrollment of children in federally supported preschool programs. (Note: no estimates available for Model Cities program).

Table I-6. NUMBER OF CHILDREN ENROLLED IN PRESCHOOL PROGRAMS
(in thousands)

	1969 actual	1970 estimate	1971 estimate
Head Start:			
Full year.....	217	248	248
Experimental.....		6	10
Title I—ESEA.....	342	342	342
OEO day care experimentation.....		5	15
Subtotal, included in education analysis.....	559	601	615
Work Incentive day care (HEW).....	4	27	65
Other HEW day care ¹	28	38	44
Other (manpower, OEO local initiative).....	2	3	3
Subtotal, not included in education analysis.....	34	68	112
Total.....	593	669	727

¹ Includes children supported by non-Federal funds in the Child Welfare Services Program.

Elementary and secondary.—The important features of the 1971 budget involve efforts to make Federal programs function more successfully and provide broader support for State and local school systems.

Simplification of grant administration and decentralization of decisionmaking in education will be furthered. A principal example of this effort is the proposal to consolidate four separate State formula grants—for books, equipment, counseling, and exemplary services—administered by the Office of Education. States will be encouraged to use this consolidated grant to fund “start up” costs associated with new education models.

The administration’s proposals for Federal revenue sharing and welfare reform will have significant impact on the financing of elementary and secondary education. The Federal revenues to be returned to the States each year in increasing amounts will be used by States and local governments as they see fit and without Federal strings. Education, which accounts for over two-fifths of State and local government spending, is certain to be a major beneficiary of this revenue sharing measure. Also, the proposed welfare reform will lift from the States and local governments much of the pressure from rising welfare costs which have drained away funds from other purposes, such as education. The Federal Government will undertake

a review of the financial structure of elementary and secondary education, leading to basic reforms which will place the financing of our schools on a sound and stable basis.

The Federal Government will also focus increasingly on actions which will lead to improved educational performance at the elementary-secondary school level. The 1971 budget provides for expansion of research and experimentation activities to develop more effective techniques, as discussed below. A major review of the compensatory education programs for the poor under title I of the Elementary and Secondary Education Act is being conducted in order to increase the effectiveness of these Federal funds. The budget also places a special emphasis on programs to develop, evaluate and disseminate better techniques for education of children whose learning ability is impaired by physical and mental handicaps. A reform of school assistance to federally affected areas will be proposed to concentrate payments on those districts where Federal impact is greatest.

Table I-7 indicates the number of children participating in federally aided programs for the disadvantaged in elementary and secondary schools.

Table I-7. NUMBER OF CHILDREN AIDED BY ELEMENTARY AND SECONDARY PROGRAMS FOR THE DISADVANTAGED (in thousands)

Program	1969 actual	1970 estimate	1971 estimate
Education of children from low income families, Title I.....	7,558	7,558	7,558
Follow Through.....	35	62	70
Dropout prevention.....	42	80	80
Bilingual education.....	27	36	36
Special classes for mentally and physically handicapped.....	182	182	182
American Indians.....	57	59	62

Vocational education.—The Federal Government has supported vocational education programs through grants to States since 1917. With Federal assistance, vocational programs are being redirected to broader and more technological training, to occupational preparation for students not going on to college and to geographic areas of high unemployment and school dropout. This redirection will require the development of new and improved course offerings, the provision of closer ties between schools and employers and a focus on the special needs of the disadvantaged and the handicapped. The 1971 budget provides increased funds for Office of Education grants to States for (a) cooperative programs which combine part-time work in private industries and public agencies with related schooling; and (b) project grants to States, local schools and other agencies to develop, dem-

onstrate and test improved vocational techniques and curricular materials.

The Department of Labor administers the Neighborhood Youth Corps in-school program which provides grants for work and study programs to help financially needy youths to remain in school. Grants are also made for construction of vocational schools by the Appalachian Regional Commission, a cooperative Federal-State economic development agency.

In addition to the \$298 million in outlays for these vocational education programs in secondary schools in 1971, the Federal Government will spend \$126 million for vocational and technical education programs in post-secondary technical schools and junior colleges and for programs for adults who wish to upgrade their vocational skills.

Table I-8. NUMBER OF SECONDARY SCHOOL STUDENTS IN VOCATIONAL EDUCATION (in thousands)

Vocational program	1969 actual	1970 estimate	1971 estimate
Occupational programs:			
Office of Education:			
Basic grants to States.....	2,849	3,273	3,693
Cooperative work education.....		88	150
Department of Labor: Neighborhood Youth Corps in-school program.....	100	100	100
Subtotal, occupational.....	2,949	3,461	3,943
Consumer and homemaking education: Office of Education.....	1,500	1,500	1,500

Other programs.—Outlays in this category are primarily for support of educational research, development and demonstration projects, and education personnel training programs.

The Federal Government is a major source of funds for support of education research and development. In 1971, outlays for this purpose are estimated to increase by \$55 million to \$244 million. New initiatives of the Government include support for (a) experimental schools to develop and evaluate changes in curricula, staffing, and organization as they affect student performance in actual school situations (Office of Education) and (b) a variety of research and experimental projects (Office of Economic Opportunity), including a test of the effectiveness of educational “vouchers”. The 1971 budget also puts greater emphasis on evaluation of existing Federal aid programs, and supports an expansion of a national assessment of educational achievement being conducted by the Education Commission of the States.

Table I-9 summarizes the Federal education research and development outlays by program and agency.

Table I-9. FEDERAL OUTLAYS FOR PRESCHOOL, ELEMENTARY, AND SECONDARY EDUCATION RESEARCH AND DEVELOPMENT (in millions of dollars)

Agency/Program	1969 actual	1970 estimate	1971 estimate
Office of Education:			
Experimental schools.....		1	6
District of Columbia Model School.....	*	1	3
R. & D. laboratories, centers, general research.....	75	70	57
Handicapped children.....	10	11	12
Vocational exemplary projects.....		6	17
Dropout prevention.....	*	7	10
National assessment, statistics, and evaluation studies.....	2	10	20
All other.....	3	8	16
Office of Economic Opportunity:			
Follow Through.....	18	46	55
Head Start evaluation and research.....	2	8	16
Other education R. & D.....	8	4	14
All other (primarily National Science Foundation).....	17	15	17
Total.....	136	189	244

*Less than \$500 thousand.

Federal assistance is provided through several agencies to strengthen teaching resources. The 1971 budget places priority on (a) attracting individuals with varying interests, abilities, and experience to careers in education, (b) increasing the efficiency of school staff through use of pupil tutors and teacher aids, and (c) improving the quality of education for the disadvantaged through retraining of existing staff. Federal grants assist the training of staffs from entire schools within poverty areas and "on-the-job" training for education personnel, especially through the Career Opportunities Program. In addition, grants are made to provide upgrading in the basic subjects of reading, writing and mathematics for teachers in desegregating schools. This latter program complements assistance authorized by the Civil Rights Act of 1964 which authorizes seminars and short-term institutes for schools about to desegregate. The number of education personnel trained in these federally assisted programs is shown in table I-10.

Table I-10. NUMBER OF TEACHERS AND OTHER EDUCATION PERSONNEL RECEIVING TRAINING

Agency and program	1969 actual	1970 estimate	1971 estimate
Office of Education:			
Education Professions Development Act:			
Teacher Corps.....	3,594	4,389	5,282
Career Opportunities Program.....	4,843	8,000	8,650
Teachers in desegregating schools.....	864	12,000	20,000
State grants.....	12,700	12,700	12,700
Retraining other experienced teachers.....	39,125	31,463	45,996
Civil Rights Educational Assistance.....	8,468	11,020	20,750
Teachers of the handicapped.....	18,864	15,928	16,865
Office of Economic Opportunity:			
Head Start: Short-term training.....	50,000	50,000	50,000
National Science Foundation.....	40,055	45,195	29,433
Total.....	178,513	190,695	209,676

HIGHER EDUCATION

Federal outlays for higher education will total \$5.3 billion in 1971. This is 50% of total Federal outlays for education and about one-quarter of the estimated total expenditures of U.S. colleges and universities in 1971.

Table I-11. **FEDERAL OUTLAYS FOR HIGHER EDUCATION BY AGENCY AND PROGRAM** (in millions of dollars)

Agency and program	1969 actual	1970 estimate	1971 estimate
Defense:			
Academic research.....	243	225	224
Other.....	86	90	93
Subtotal, Department of Defense.....	329	315	317
Health, Education, and Welfare:			
Office of Education:			
Student aid:			
Educational opportunity grants.....	91	138	176
Work-study.....	95	160	160
NDEA loans.....	187	162	142
Insured loans.....	44	122	155
Facilities—grants and loans.....	418	417	431
Other OE programs.....	245	276	269
Subtotal, Office of Education.....	1,080	1,275	1,333
Other Health, Education, and Welfare:			
Academic research-health sciences.....	545	580	594
Fellowships and traineeships-health professions.....	390	452	513
NIH facilities construction.....	72	148	161
Social and rehabilitation research and training.....	39	42	43
Social Security (student benefits).....	366	379	397
Other.....	37	48	65
Subtotal, Other Health, Education, and Welfare.....	1,450	1,649	1,773
Housing and Urban Development:			
College housing.....	178	226	150
Other.....	1	9	16
Veterans Administration:			
Readjustment benefits.....	516	708	854
Other.....	73	84	91
National Science Foundation:			
National Science Foundation.....	301	298	316
Other.....	450	472	436
Total, higher education.....	4,379	5,036	5,285

Table I-11 indicates the major Federal agencies and programs contributing to higher education. The Department of Health, Education, and Welfare provides the largest amount of support with 59% of total Federal expenditures. Major Federal programs include: (a) grants

and loans to undergraduate students by the Office of Education; (b) grants and loans for the construction of facilities by OE, NIH, and the Department of Housing and Urban Development; (c) fellowship and traineeship programs by several agencies; (d) project grants for academic research by several agencies; and (e) payments to college students from the Veterans Administration and the Social Security Administration.

Table I-12 indicates how Federal funds are distributed by type of institution. In 1971, 2-year institutions are estimated to receive 11% of Federal outlays, 4-year institutions, 38%, and graduate and professional schools, 49%.

Table I-12. **FEDERAL OUTLAYS FOR HIGHER EDUCATION BY TYPE OF INSTITUTION** (in millions of dollars)

Types of institution	1969 actual	1970 estimate	1971 estimate
2-year institutions	400	500	566
Other undergraduate	1,633	1,967	2,012
Graduate and professional	2,275	2,488	2,613
Other	71	81	94
Total	4,379	5,036	5,285

Table I-13 shows Federal expenditures for higher education by type of support. Approximately 44% of the Federal funds are used for student aid, 27% for institutional aid and 29% are for research and training. The following paragraphs discuss current Federal activities by type of support.

Table I-13. **FEDERAL OUTLAYS FOR HIGHER EDUCATION BY TYPE OF SUPPORT** (in millions of dollars)

Type of support	1969 actual	1970 estimate	1971 estimate
Student support	1,688	2,084	2,315
Institutional support:			
Current operations	452	558	587
Facilities and equipment	761	875	816
Research and training:			
Academic research	1,365	1,398	1,418
Educational research	27	39	48
Teacher training	87	92	101
Total	4,379	5,036	5,285

Student aid.—Funds for student aid programs will total an estimated \$2.3 billion in 1971. Grant programs for low-income students, veterans educational benefits, and subsidized loan programs for all students using private capital are growing rapidly. A total of 3.5 million graduate and undergraduate students will be aided from 1971 funds.

The Office of Education administers student aid programs which mainly assist undergraduates. Three of these programs have been initiated to help increase the number of capable but economically disadvantaged students entering college:

- *Educational opportunity grants* providing assistance for students of exceptional financial need;
- *Direct ("NDEA") loans* providing low-interest, long-term repayment loans to needy students;
- *Work-study grants* assisting students earning a portion of their college expenses through employment opportunities.

The Guaranteed Student Loan Program is available to students of all income levels. While the student is in school, the Government pays the interest on loans made by private lenders. After graduation the student pays the interest up to a maximum rate of 7%. A special allowance, currently 2¼% of the principal amount of insured student loans, is paid to lenders when financial market conditions make such payments essential to achieve the purposes of the program.

Table I-14. UNDERGRADUATE STUDENT SUPPORT¹ (outlays in millions of dollars; number of students in thousands)

Agency	Total outlays			Number of students		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Defense.....	27	32	34	220	179	179
Health, Education, and Welfare.....	765	932	1,004	1,985	2,116	2,291
Office of Education.....	377	531	581	1,563	1,681	1,835
Social Security Administration.....	366	379	397	376	397	418
Health agencies and other.....	21	21	26	46	38	38
Veterans Administration.....	429	582	701	543	699	766
National Science Foundation.....	5	4	4	3	3	4
Total.....	1,225	1,550	1,744	2,751	2,997	3,240

¹ Involves some duplication because students may be assisted under more than 1 program.

Tables I-14 and I-15 indicate the funds expended and the awards made to undergraduate and graduate students by major agency.

The Veterans Administration will provide grants to 917 thousand returning veterans who are enrolled at institutions of higher education. Outlays of \$397 million will be paid in 1971 under provisions of the Social Security Act to students who are the children, under age 22, of retired, deceased, or disabled beneficiaries. Finally, several Federal agencies offer fellowships and traineeships to support graduate, professional, and postdoctoral students in a variety of fields. A total of 118 thousand such students will be aided in 1971.

Table I-15. GRADUATE STUDENT SUPPORT¹ (outlays in millions; number of students in thousands)

Agency	Total Outlays			Number of students		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Health, Education, and Welfare.....	239	268	278	121	107	107
Office of Education.....	41	55	53	4	3	2
Health agencies.....	182	194	207	101	92	93
Other.....	16	18	18	16	12	12
Veterans Administration.....	161	211	243	101	138	151
National Science Foundation.....	48	41	38	8	8	7
Other.....	15	15	12	5	4	4
Total.....	463	535	571	235	257	269

¹ Involves some duplication because students may be assisted under more than 1 program.

Institutional support.—Federal outlays for institutional support will total \$1.4 billion in 1971 with \$587 million for current operations and \$816 million for facilities and equipment.

The primary elements of aid under current operations in table I-13 are:

- Cost-of-education allowances paid to institutions of higher education as a part of fellowship and traineeship grants, largely in the natural and health sciences, by the National Science Foundation and HEW;
- Grants to institutions made by HEW for the training of students in the health professions and rehabilitation services;
- Grants made by the Office of Education to developing colleges which are not yet quality academic institutions and to college libraries;
- Department of Defense funds for college ROTC activities.

The Department of Housing and Urban Development and the Office of Education support the construction of college and university classrooms, laboratories, libraries, and dormitories. The method of support has been shifting from direct Federal grants and loans to Federal interest subsidy payments on loans made to institutions of higher education by private lenders. Approximately \$500 million in loans for new construction will be supported by the Office of Education interest subsidy payments. About \$300 million of new construction will be supported by the HUD college housing program.

Grants are also made by the National Institutes of Health for construction of health facilities at medical, dental, nursing, and other health professions schools and by the National Science Foundation for construction of university science facilities and the renovation of graduate laboratory space.

Research and training.—Federal outlays of \$1.6 billion for research and training in 1971 include \$1,418 million for academic research, \$48 million for educational research, and \$101 million for teacher training.

Funds for educational research will support experimental projects to study and test means of changing traditional structures and curricula

in higher education. The National Science Foundation will support programs to upgrade science curricula and facilitate the incorporation of computers in college instruction. Research on 2-year institutions will be supported by the Office of Education.

Several Federal agencies support programs for the training of college and university personnel. The National Science Foundation supports fellowships, institutes, and research training to improve the competence of college teachers. Under the Education Professions Development Act, the Office of Education will give special attention to personnel development in junior colleges, technical institutes, and liberal arts colleges. Training models for new careers in higher education and experiments with innovative training techniques will be used in the Office of Education program.

Federal support of academic research represents about two-thirds of the total expenditures for sponsored research performed by universities. The major agencies supporting research are HEW (medical, health, and welfare research), DOD (research related to military requirements), and the National Science Foundation (research in all fields of science). In 1971, increased emphasis will be placed on research related to major domestic problem areas and environmental issues. Federal support of academic research is discussed also in Special Analysis Q, Federal Research, Development and Related Programs.

ADULT EDUCATION AND OTHER ACTIVITIES

A significant portion of Federal outlays for education are devoted to adult and various community education programs. In 1971, the estimated Federal outlays for these programs will total \$1.9 billion, or 18% of all Federal education expenditures. These outlays are summarized in table I-16. Table I-17 provides information on the number of people benefiting from these programs.

Table I-16. **FEDERAL OUTLAYS FOR ADULT EDUCATION AND OTHER ACTIVITIES** (in millions of dollars)

Sublevel and program	1969 actual	1970 estimate	1971 estimate
Adult and continuing education:			
Adult basic.....	67	75	85
Extension.....	97	130	171
Continuing education.....	195	257	290
Public library services.....	68	55	42
Public broadcasting.....	9	21	30
National Foundation on the Arts and the Humanities.....	8	15	24
Subtotal.....	445	554	641
Training of public employees:			
Federal civilian.....	21	22	22
State and local.....	22	46	52
Federal military.....	428	458	478
Subtotal.....	470	525	552
Foreign educational activities.....	278	268	292
Other.....	348	380	391
Total.....	1,541	1,727	1,876

Adult and continuing education.—This category includes Federal programs which provide educational opportunities for adults who either have not participated fully in the formal educational process in their youth or wish to continue their acquisition of knowledge and skills through less formal means.

Adult basic education classes enrolling over 700 thousand men and women who have had less than 8 years of formal schooling will be supported by outlays of \$85 million in 1971, mostly by the Office of Education and the Office of Economic Opportunity. These programs, largely in low-income areas, will enable adults to overcome English language limitations and to prepare for occupational training leading to more profitable employment.

The Department of Agriculture will spend \$171 million in 1971 to support instruction in agriculture, home economics, and related subjects through land-grant college extension activities. Increases will provide for nutrition education and professional assistance in community development. The Office of Education will support vocational education programs for 2.5 million adults who will upgrade or acquire new work skills. Over 350 thousand individuals will benefit in 1971 from the Veterans Administration readjustment benefits programs to provide adult and continuing education for veterans and the children, widows, and wives of deceased or seriously disabled veterans. The Defense Department will support off-duty education programs for 370 thousand servicemen in 1971.

Other programs covered by this category totaling \$96 million in 1971 include:

- Office of Education grants to States for public library services and educational broadcasting facilities.
- The Federal grant to the Corporation for Public Broadcasting, a publicly supported, private nonprofit institution, providing operating assistance and interconnection of local educational TV stations and financing new public television and radio programs.
- The National Foundation on the Arts and the Humanities which aids various cultural activities, supports State arts councils, and funds programs in colleges and universities to improve the quality of instruction in the humanities.

Training of public employees.—This analysis includes Federal programs designed to assist public employees in increasing their professional skills through graduate education and other courses at educational institutions. Inservice and on-the-job training are excluded since educational institutions are not involved.

The military services account for the major part of this continuing education effort (\$478 million or 87% in 1971), utilizing both institutions of higher education and their own educational facilities. Training of civilian employees of the Federal Government, as well as State and local employees, is supported by the various branches of the Armed Forces, the Foreign Service Institute in the Department of State, the law enforcement training program of the Department of Justice, and the public health and rehabilitation manpower activities of HEW. In 1971, an estimated 20 thousand Federal civilian, 412 thousand State and local, and 385 thousand military personnel will receive some type of graduate, professional, or other education.

Table I-17. NUMBER OF INDIVIDUALS BENEFITING FROM FEDERAL PROGRAMS FOR ADULT EDUCATION AND OTHER ACTIVITIES (in thousands)

Sublevel and program	1969	1970	1971
Adult and continuing education:			
Adult basic.....	599	659	725
Vocational education.....	2,497	2,507	2,512
Other continuing education.....	1,948	2,092	1,638
Training of public employees:			
Federal civilian.....	19	19	20
State and local.....	293	392	412
Federal military.....	390	379	385

Foreign education.—The Federal Government supports foreign students attending colleges and universities in the United States and provides assistance to educational institutions in foreign countries. The principal Federal agencies involved are the Agency for International Development, the Peace Corps and the Department of State.

Other Federal support for education.—This category covers a number of Federal activities that do not fall conveniently into any other categories. This includes the Library of Congress and the National Agricultural Library, the educational activities of the Smithsonian Institution, and the Small Business Administration, \$92 million for Bureau of Indian Affairs welfare and training programs, and \$129 million for research supported by the National Science Foundation outside academic institutions.

PART III—COVERAGE OF THE EDUCATION SPECIAL ANALYSIS

This analysis includes all Federal programs which have the direct support of educational activities as a major purpose or which involve the use of educational resources to achieve other purposes. For this analysis, education is defined as (1) a student-teacher relationship primarily for the transmission of organized knowledge, as distinguished from occupational skill, or (2) the provision of services to the community at large aimed at expanding individuals' opportunities for professional or career advancement, for civic involvement or for a more meaningful and satisfying leisure. Any Federal program with outlays of \$500,000 or more which supports any educational activity meeting this definition is included in this analysis.

This analysis does not include scientific research conducted outside of academic institutions (other than that in laboratories and other science projects of the National Science Foundation and Smithsonian Institution). Also, it does not include scientific research conducted in university-managed centers under Federal contracts. Finally, it excludes the school lunch and special milk programs, university service contracts—for example, to operate mental health centers—and many inservice training programs for Federal civilian employees.

Relationship to other special budget analyses and budget functions.—All programs classified in the budget functional category for education (see part IV of the Budget Document) are included in this special

analysis. These include all the programs of the Office of Education and the National Science Foundation, as well as Office of Economic Opportunity education activities, college housing loans and education of American Indians. For 1971, outlays for programs classified under the budget functional category of education total \$5.4 billion.

In addition this analysis includes outlays of \$5.3 billion for 1971 for programs classified under such other budget functional categories as "national defense" and "health." These activities use education—most often graduate training or research at academic institutions—as a means of accomplishing their primary objectives.

The amounts tabulated in this analysis include some programs also covered in other special analyses. For example, outlays of about \$1.5 billion in 1971 are included in both this analysis and Special Analysis K, Federal Health Programs, for university and other post-secondary programs which help train medical personnel. In addition, approximately \$1.5 billion in outlays for 1971 for research in academic institutions are reflected in both this special analysis and Special Analysis Q, Federal Research, Development and Related Programs.

Table I-18 summarizes the outlays included in this analysis which are also included in other special analyses, and by major budget functional categories.

Table I-18. FEDERAL EDUCATION OUTLAYS BY MAJOR BUDGET FUNCTIONAL CATEGORIES AND RELATIONSHIP TO OTHER SPECIAL BUDGET ANALYSES (in millions of dollars)

Major functional category and special budget analysis	1969 actual	1970 estimate	1971 estimate
Functional categories:			
Education.....	4,835	5,253	5,389
Other categories:			
National defense.....	1,012	1,054	1,073
International affairs and finance.....	275	263	295
Space research and technology.....	160	144	113
Agriculture.....	163	204	255
Natural resources.....	51	64	67
Commerce and transportation.....	48	68	74
Community development and housing.....	98	155	211
Manpower.....	61	62	62
Health.....	1,010	1,181	1,269
Income security.....	517	540	574
Veterans benefits and services.....	719	980	1,170
General government.....	60	78	97
Special analyses:			
Federal health programs.....	1,214	1,398	1,495
Federal manpower programs.....	89	109	119
Federal income security programs.....	457	474	496
Federal research, development and related programs.....	1,426	1,449	1,475

SPECIAL ANALYSIS J

FEDERAL MANPOWER PROGRAMS

COVERAGE AND SCOPE OF THIS ANALYSIS

Almost all public and private economic activities affect the size, composition, and quality of the work force. A limited grouping of Federal programs, described in this special analysis, are intended to influence directly the quality and composition of the work force by increasing the skills and employment opportunities of individuals in the work force, or those who desire to be in it but who are vocationally unprepared or face other barriers to employment. The programs provide skill training, rehabilitation, job placement, temporary employment, and related social services such as day care.

One method of differentiating these training programs is by their operating characteristics. Generally the programs: (1) operate outside the normal educational processes; (2) provide services for periods of less than 1 year; (3) provide skill training and job opportunities for nonprofessional jobs; and (4) are targeted to the disadvantaged sector of the population. The analysis covers all programs classified as Manpower Training in the functional code of the budget, and some programs from other functional classifications such as Health and Welfare, National Defense,¹ and Veterans. It excludes all professional training and programs which are part of the normal educational process, such as vocational education. These are included in Special Analysis I, Federal Education Programs.

1971 BUDGET OVERVIEW

The 1971 budget provides \$3.2 billion for manpower programs, an increase of 20% over 1970 and 55% over 1968. The increase reflects the importance of manpower programs in helping the disadvantaged to become self-sufficient through regular employment.

Within the \$535 million increase in 1971 over 1970, the following programs will receive special emphasis:

- \$154 million for the Job Opportunities in the Business Sector (JOBS) program, which has been revised and expanded from the 131 largest cities to a nationwide basis.
- \$61 million for the Work Incentive (WIN) program, which will provide job training for 180,000 welfare recipients and day care for 233,000 children.
- \$52 million for the Vocational Rehabilitation program to rehabilitate 288,000 handicapped individuals.
- \$30 million for increased costs of the Employment Service including Job Banks in 25 additional cities.

¹ This year the coverage of this special analysis has been changed to exclude the skill training programs for military personnel conducted by the Department of Defense. This effort, while increasing civilian skills, is conducted primarily for national defense purposes. Project 100,000 and Project Transition continue to be included.

- \$26 million for the Public Service Careers program, a major new on-the-job training effort in the public sector.
- \$25 million for the additional first-year costs of the proposed Manpower Training Act.

The number of new enrollees will reach 2.1 million in 1971, an increase of 173,000 over 1970. The distribution of this increase highlights the priorities in the 1971 budget:

- 47,000 or 27% in the Work Incentive program;
- 46,000 or 27% in JOBS/OJT;
- 22,000 or 13% in the Neighborhood Youth Corps out-of-school program;
- 20,000 or 12% in the Vocational Rehabilitation program;
- 15,000 or 9% in On-the-job training for veterans; and
- 23,000 or 13% in all other programs.

The following table summarizes the distribution of Federal funds and individuals enrolled during the period 1968-71.

Table J-1. FEDERAL OUTLAYS AND INDIVIDUALS SERVED BY PROGRAM

(Outlays in millions of dollars, individuals in thousands)

Program	Outlays				New enrollees ¹			
	1968 actual	1969 actual	1970 est.	1971 est.	1968 actual	1969 actual	1970 est.	1971 est.
Vocational Rehabilitation.....	281	351	478	530	330	368	432	452
Employment Service.....	312	317	350	380	(2)	(2)	(2)	(2)
Job Opportunities in the Business Sector/On-the-job training.....	68	104	192	346	107	136	156	202
Manpower Development and Training Institutional training.....	203	197	205	212	140	135	148	152
Neighborhood Youth Corps in-school and summer.....	198	182	212	215	374	429	445	427
Concentrated Employment Program.....	68	140	189	212	54	127	152	155
Work Incentive Program.....	0	33	138	199	0	81	133	180
Job Corps.....	318	258	180	192	65	53	47	49
Neighborhood Youth Corps out-of-school.....	143	106	100	121	94	74	37	59
On-the-job training for veterans.....	5	49	92	115	19	49	65	80
Other programs ³	490	488	566	714	331	309	338	370
Total.....	2,086	2,225	2,702	3,236	1,514	1,761	1,953	2,126

¹ Estimated new enrollees during a fiscal year, less overlap due to persons served more than once.

² Enrollment not applicable.

³ For some programs enrollment data are not applicable.

1971 LEGISLATIVE PROPOSALS

The budget anticipates enactment by 1971 of three legislative proposals which will make major changes in the shape and effectiveness of manpower programs.

The Manpower Training Act is directed at improving the effectiveness of many of the present manpower programs by proposing basic changes in the system for delivering services:

- Manpower programs administered by the Department of Labor and funded under the Manpower Development and Training Act and the Economic Opportunity Act will be consolidated under one funding authority to eliminate overlap and duplication.
- Categorical programs will be eliminated, and flexible funding provided, to give States and local governments more freedom in designing and operating programs tailored to the needs of each participant and responsive to local labor markets.
- Responsibility for administration of manpower programs will be decentralized to the States and metropolitan areas in three stages. Each State will administer 25% of its allotment under the Act when the Governor has designated a "lead agency" and a comprehensive State manpower plan has been developed; 66⅔% when a comprehensive manpower agency has been organized, and when local prime sponsors have been named in major metropolitan areas by the Governor and local heads of government; and 100% when standards of effective performance are met.
- Additional resources—10% of the amount appropriated under the Act—will be "triggered" if the national unemployment rate reaches 4.5% for 3 consecutive months. This is designed to ease the impact of adjustments in the national economy on the labor force.

The training programs incorporated in the Manpower Training Act will have 1971 outlays of \$1.6 billion. In addition, the Federal-State employment service system, with outlays of \$380 million, will be an integral part of the planning and coordinating processes of the Act. Thus 61% of the total 1971 Federal manpower funds will be programed under the Act. Upon enactment of the Family Assistance Program, additional resources for manpower will also be administered through the delivery system proposed by the Act.

The Family Assistance Program, in addition to reforming the welfare system, emphasizes incentives to work. All recipients who are able to work, except mothers of preschool children, will be required to accept suitable employment or training. In order to meet this workload a substantial expansion of training and day care opportunities is planned.

The incentives to encourage work and training are:

- Recipients will be required to register with State employment services which will provide individually tailored plans and services to help them become self-supporting;
- Recipients referred to training will receive an extra \$30 per month while in training, and reimbursement for travel and other necessary expenses;
- A substantial part of earnings will be disregarded in computing cash benefits for recipients already employed or employed after training.

In summary, the Family Assistance Program will concentrate manpower services on those who are now dependent on income maintenance but who are able to become self-supporting if appropriate training and services are provided.

Legislation has been proposed to strengthen the process for eliminating barriers to equal employment for minority groups. The Equal

Employment Opportunity Commission will be authorized to file civil suits in the District Courts when it is unable to obtain voluntary compliance with the Civil Rights Act of 1964.

SOCIAL AND ECONOMIC OBJECTIVES OF MANPOWER PROGRAMS

Manpower programs are designed to increase employment opportunities for those who are unable to obtain or maintain suitable employment and to improve the performance of the economy by increasing productivity and facilitating the movement of workers to jobs.

Social objective.—Most manpower programs were initiated to serve disadvantaged persons who would otherwise be unable to obtain suitable employment. The programs fill a gap between education programs which prepare people for their careers, and income security programs which provide income for persons who are unable to work because of age, incapacity, or economic conditions.

The expanding ability of manpower programs to reach the disadvantaged, and the new findings of research, experimental, and evaluation efforts make manpower programs a more important tool in attacking the Nation's social problems. While some data showing personal income and other gains from individual programs exist, the programs can not be compared on the basis of their results because similar data are not available for each program. Further data on program effectiveness are necessary in order to establish the degree to which the current mix of manpower programs is successful.

Economic objective.—The use of manpower programs to complement national economic policy is inherent in the program designs. The effective operation of job placement and training programs requires that persons be placed or trained to meet skill shortages. Under tight labor market conditions, such activities reduce inflationary pressures by increasing the productivity of marginal workers and by enabling employers to obtain skilled workers who would otherwise be unavailable.

During periods of high unemployment, work and training programs increase the skills of the work force and can serve as a source of income support for unemployed workers. Manpower programs can be targeted to specific geographic areas to alleviate problems resulting from national economic changes.

MAJOR PROGRAM APPROACHES

In this section of the analysis, programs are classified into six manpower service approaches. Some are classified entirely under one approach; others, such as the Work Incentive program (WIN) and the Concentrated Employment Program (CEP) which use multiple techniques, are split among several approaches.¹ WIN provides a com-

¹ Due to differences in appropriation patterns many outlay adjustments are made. For example, in table J-2 MDTA Institutional is increased to reflect costs budgeted under MDTA Program Services. Job Corps is reduced because program direction costs are included in its budget unlike most other manpower programs.

In the past the emphasis has been on developing approaches by which manpower goals could be achieved. Now the concern is to refine and perfect the application of these approaches. The Manpower Training Act is the chief vehicle for this reform. The Act will consolidate programs and decentralize planning and operating responsibility to State and local governments. Under the proposed reform, the classification by approach used in this analysis should continue to be a useful method for summarizing the delivery of manpower services.

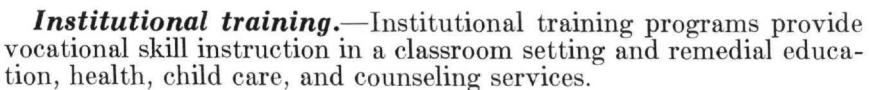


Table J-2. INSTITUTIONAL TRAINING PROGRAM LEVELS
(Outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
MDTA Institutional.....	230	233	241	53	52	54	135	148	152
Job Corps.....	236	163	175	31	21	23	53	47	49
CEP.....	52	91	103	15	28	29	63	91	93
Work Incentive.....	28	118	146	19	62	90	72	123	168
Other.....	58	98	161	62	85	107	85	120	137
Total.....	604	703	826	180	248	303	408	529	599

The largest of these programs, serving 152,000 people, is the *Institutional Training Program* conducted under authority of the Manpower Development and Training Act. In 1971, additional training opportunities are provided in skill centers and special emphasis is given to training returning veterans and persons in rural areas.

In 1969 the *Job Corps* was reorganized and a lower program level was set. Fifty-nine less efficient centers were closed. Thirty new centers, established to serve local youths and target training to the local labor market, will be opened in 1970. Training outlays will fall to \$175 million in 1971, \$124 million less than in 1968. The redirected Job Corps will serve 49,000 enrollees, many of them in the 30 new community residential centers.

The largest component of the *Work Incentive Program* and the *Concentrated Employment Program* is institutional training. Outlays will rise from \$80 million in 1969 to \$249 million in 1971, and the numbers of individuals served rise from 135,000 to 261,000. Generally, WIN and CEP purchase training services from existing community-based sources, and in this way help to strengthen the capability of communities to undertake the expanded program envisioned by the Manpower Training Act and Family Assistance Program.

Other major institutional programs include manpower components of the Model Cities program, and training programs for Indians and prisoners operated by the Departments of Interior and Justice, respectively.

On-the-job training (OJT).—These programs provide training for existing job vacancies, usually by reimbursing employers for the added costs of hiring and training unskilled workers. This reimbursement may cover job training costs, the cost of remedial education and other services, and a payment to the employer for the employee's lower initial productivity.

Table J-3. ON-THE-JOB TRAINING PROGRAM LEVELS

(Outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
JOBS/OJT.....	125	214	373	53	81	130	136	156	202
Veterans OJT.....	49	92	115	35	69	84	49	65	80
Public Service Careers.....	17	25	51	3	7	19	4	18	32
Project 100,000.....	10	7	7	8	6	6	87	62	60
Other.....	35	44	49	9	13	14	27	25	26
Total.....	236	382	595	108	176	253	303	326	400

Outlays for these programs will increase sharply, from 11% of the Federal manpower total in 1969 to 18% in 1971, mainly as a result of contracts funded in prior years in the largest OJT program, *Job Opportunities in the Business Sector (JOBS)*. This program, operated in conjunction with the National Alliance of Businessmen, was expanded from the 131 largest cities to a nationwide program in 1970. It was also redesigned to increase its effectiveness and to provide opportunities for upgrading the skills of persons already employed. In addition to private industry's efforts to employ and train the disadvantaged through Federal contracts, many employers will hire the disadvantaged at no cost to the Government. In 1971, as JOBS expands to become nationwide, the smaller *MDTA-OJT* program, which reimburses employers only for training costs, will be merged with JOBS. "National" MDTA-OJT contracts will be continued because of their unique advantages for involving unions and trade associations.

Veterans OJT is provided by the Veterans Administration to former servicemen whose education or training was interrupted by military service. Participants receive a stipend when pursuing an approved course of full-time apprenticeship or other on-the-job training. The program is growing rapidly because of the rising numbers of returning Vietnam veterans.

The experience of JOBS with private employers prompted a new initiative in 1970, the *Public Service Careers (PSC)* program. PSC will increase the hiring and training of disadvantaged persons for regular positions in Federal, State, and local governments by providing reimbursement for training and related costs. Outlays of \$51 million in 1971, the first full year of PSC, will permit 32,000 individuals to participate.

Project 100,000, operated by the Armed Services, will in 1971 lower entrance standards for about 60,000 recruits, and provide them with special supportive services so that they can meet military standards.

Rehabilitation.—Rehabilitation programs assist physically or mentally disabled persons to be restored to productive lives. They provide diagnosis, counseling, medical restoration, and vocational training,

which are supplementary to income and services received by the disabled from family income, workmen's compensation and disability and medical insurance.

Table J-4. REHABILITATION PROGRAM LEVELS

(Outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
Vocational Rehabilitation.....	367	499	553	463	501	561	368	432	452
Veterans Vocational Rehabilitation.....	40	52	55	9	12	12	14	17	17
Total.....	407	551	608	472	513	573	382	449	469

Under the *Federal-State Vocational Rehabilitation program*, the largest single manpower program, clients are prepared for competitive employment, homemaking, or sheltered employment. State rehabilitation agencies determine client needs and purchase services on a case-by-case basis. Outlays increased by \$132 million in 1970 partially as a result of increasing the Federal matching rate from 75% to 80%. It is estimated that 288,000 individuals will be rehabilitated under this program in 1971. A heavy emphasis will be given in 1971 to assisting the culturally and socially disadvantaged, especially public assistance recipients and criminal offenders.

The 1968 amendments to the Vocational Rehabilitation Act provided greater flexibility in serving disabled persons. Important changes include authority for extended evaluation of persons whose severity of disability previously precluded consideration; provision of services to members of the family to achieve the rehabilitation of a disabled person; and provision of other facilities and services which may be expected to contribute substantially to the rehabilitation of a group of handicapped individuals.

The *Veterans Vocational Rehabilitation program* provides similar services to persons who suffered a service-connected disability. The services are funded and administered by the Veterans Administration. In addition to counseling and training, the veteran receives a subsistence allowance, disability compensation, tuition, books, and fees.

Work support.—Work support programs create temporary jobs, usually in the public sector, which terminate when the Federal subsidy ends. The programs provide the unemployed with work skills and work habits, offer enrollees an opportunity to stay in school, or provide enrollees with wages for useful work. Seventy percent of program costs is in the form of enrollee wages for work by persons who otherwise would be unemployed.

Table J-5. WORK SUPPORT PROGRAM LEVELS

(Outlays in millions of dollars, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
NYC in-school and summer.....	182	212	215	150	157	160	429	445	427
Other.....	65	71	68	34	32	32	93	102	102
Subtotal, in-school...	247	284	283	184	189	192	522	547	529
NYC out-of-school.....	106	100	121	44	34	34	74	37	59
CEP.....	56	59	67	10	18	18	44	42	43
Mainstream.....	37	41	41	10	12	13	11	11	9
Other.....	35	18	26	21	7	16	17	13	18
Total.....	481	502	538	269	260	273	669	650	658

The largest work support effort is the *Neighborhood Youth Corps in-school and summer programs* which offer work to needy high school students. Unlike other manpower programs, which provide remedial services for those who have left school, these programs are primarily preventative—to keep youth in school, and to aid the transition from school to work. Funds have been reprogrammed in 1970 to permit about the same number of youths to participate in the summer of 1970 as in the summer of 1969.

The *Neighborhood Youth Corps out-of-school program* offers work experience and related services to poor out-of-school youths. This, the largest manpower program offering year-round employment, has been redesigned in 1970 to stress counseling, basic education, and other services needed to enable 59,000 enrollees to return to school, to enter other training programs, or to obtain regular employment.

Operation Mainstream provides employment opportunities to older workers in rural areas where employment opportunities are limited. An estimated 9,000 individuals will be served in 1971.

In addition, *CEP* provides significant amounts of work support as part of its array of services.

Job placement assistance.—These programs promote a smoothly operating labor market by assisting employers to find qualified workers, and by overcoming barriers created by job discrimination and workers' lack of knowledge. They develop and disseminate information on employer and employee needs, and counsel and test job seekers. Other services include "outreach" to find unemployed people, and job development and job restructuring efforts with employers.

Table J-6. **JOB PLACEMENT ASSISTANCE PROGRAM LEVELS**
(Outlays in millions of dollars)

Program	Outlays		
	1969 actual	1970 estimate	1971 estimate
Employment Service.....	298	332	366
Project Transition.....	14	15	14
Equal Employment Opportunity Commission.....	9	13	18
Other.....	33	50	91
Total.....	354	410	489

The *Federal-State Employment Service* (ES), operated by the States, accounts for 75% of 1971 outlays in this category. The ES, with 2,100 local offices and 41,000 employees, provides not only placement services for the general work force, but also makes special efforts to place the disadvantaged, including those served by other manpower programs. Up to 11 million persons are expected to receive such services in 1971. A new development assisting job placement efforts is computerized Job Banks, which will be installed in 81 cities by 1971. More automated job matching systems are being tested in 14 States.

Project Transition provides counseling, testing, limited skill training, and job placement assistance to servicemen prior to discharge. The Defense Department will spend about \$14 million on this program in 1971 for about one-third of a million servicemen.

In 1971, outlays by the *Equal Employment Opportunity Commission* will increase by \$9 million over 1969, a 100% increase. The Commission attempts to reduce barriers to employment of minority groups and others by investigating and conciliating complaints of discrimination.

The *Office of Federal Contract Compliance*, working in conjunction with the 15 major Federal contracting agencies, will increase its surveillance of the employment practices of Federal contractors. In order to increase minority group employment in the construction trades, it has devised the "Philadelphia Plan" which sets employment goals for Federal construction projects.

Manpower research and development.—As part of the effort to improve program performance, more emphasis will be given to research and development (R. & D.) related to manpower programs. Outlays will rise 30% between 1970 and 1971.

Table J-7 summarizes the Federal resources for manpower R. & D., largely from the Department of Labor and the Office of Economic Opportunity. In addition, other agencies carry out R. & D. activities affecting manpower, especially the Department of Defense, and the Social and Rehabilitation Service and the National Institutes of Health of the Department of Health, Education, and Welfare.

Table J-7. PROGRAM DIRECTION, RESEARCH AND SUPPORT PROGRAM LEVELS ¹ (in millions of dollars)

Program	Outlays		
	1969 actual	1970 estimate	1971 estimate
Experimental and Demonstration.....	21	25	34
Research.....	5	6	7
Evaluation.....	4	5	7
Subtotal, Research and Development.....	31	36	47
Program Direction.....	73	75	78
Labor Market Information.....	30	32	36
Technical Assistance.....	10	11	19
Subtotal, Program Direction and Support.....	113	117	133
Total.....	143	153	180

¹ These programs do not include enrollments, except relatively small numbers in E. & D. projects.

Experimental and demonstration programs develop or demonstrate new service techniques in an operational setting. Substantial increases are proposed in these activities for 1971. The Office of Economic Opportunity, as the principal innovative arm for the Government's social programs, will receive the bulk of this increase. One new approach being tested will provide vouchers to unemployed job seekers in certain States and communities to enable them to purchase the training or work experience of their choice.

Research activities are designed to develop or discover new knowledge in a nonoperational setting. The research program administered by the Department of Labor includes support of Ph. D. dissertations, grants to established researchers, and support of five university-based, interdisciplinary research centers. In 1970 and 1971 increases are provided for behavioral research focusing on such topics as the attitudes of the disadvantaged to the world of work.

Evaluation activities seek to determine what works, to what extent, and under what conditions. Most evaluation efforts have been on-site reviews to identify critical operating problems. This reflected the rapid buildup of manpower programs during the past decade with consequent implementation problems. Recently, the evaluation effort has shifted to include fundamental and broad assessment of program effectiveness. A major study initiated in 1969 is a longitudinal assessment of the graduates of six programs serving disadvantaged youths. Results of this study will begin to be available within the next year. Similar studies have been launched, or will be shortly, on the Work Incentive and Public Service Careers programs, and MDTA skill centers.

Program direction.—The effectiveness of individual programs depends both on national program administration and on the delivery of services at the local level. To improve national program administration, several recent steps have been taken:

- The Manpower Administration was reorganized to centralize responsibility for manpower programs in a new organization—the U.S. Training and Employment Service.
- The Job Corps was delegated from OEO to the Department of Labor so it could be better integrated with other manpower programs.
- Nearly every major manpower program was reexamined and new operating procedures instituted to improve operating effectiveness.
- In accord with the overall government effort, greater authority and responsibility was delegated to the Regional Manpower Administrators.

The 1971 program anticipates increased resources for technical assistance to State and local governments in the operation of manpower programs. In addition, increases are provided for the collection of more labor market information, including data on local job opportunities, to assist in community manpower planning and execution. In 1971, outlays for these purposes will be \$133 million.

PEOPLE SERVED

Man-years of training and new enrollments are the program impact measures used in this analysis. Man-years is the average enrollment during the year and is the best measure to compare program levels among programs. New enrollments is the number of different people served during each fiscal year. In a few programs, e.g., NYC in-school and summer, a significant number of people enroll in more than one program within a single year, or in the same program several years in succession. In these cases this analysis uses a net figure which deducts the overlap. In some programs man-year data include periods where no significant amount of services are provided, e.g., persons awaiting services in the Concentrated Employment Program, and the analysis uses a man-years of service estimate to account for this.

Table J-8. AGGREGATE ENROLLMENT LEVELS IN MANPOWER PROGRAMS¹ (in thousands)

Measure	1968 actual	1969 actual	1970 estimate	1971 estimate
Enrollment beginning of year.....	950	1,050	1,350	1,600
New enrollments during the year.....	1,650	1,900	2,100	2,300
Enrollees terminating during the year.....	1,550	1,600	1,850	2,100
Enrollment end of year.....	1,050	1,350	1,600	1,800
Man-years (average enrollment).....	1,000	1,150	1,350	1,550
New enrollment (less overlap).....	1,500	1,750	1,950	2,150
Man-years of service.....	950	1,050	1,200	1,400

¹ Excludes Job Placement Assistance programs for which the concept of enrollment does not apply. All enrollment numbers rounded to nearest 50,000.

In 1971, average enrollment will increase by 14% over 1970. JOBS, WIN, and Vocational Rehabilitation account for 78% of this increase.

Characteristics.—The 10.9 million adults who were poor in 1968, of whom about half were working but earning less than a poverty wage, is a rough representation of the universe of need for manpower programs. The universe actually may be considerably larger, since many earn little more than the poverty standard and are vulnerable to skill obsolescence and unemployment. However, many poor adults are not candidates for manpower services because of health, age, and conflicting family responsibilities.

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

The number of individuals served by manpower programs is a growing proportion of the poverty population. In 1968 manpower programs served about 7% of the 10.9 million poor. By 1971 it is estimated that a larger percentage of the poor will be served as average enrollment rises over 50% from 1968. The role of manpower programs in serving the disadvantaged is illustrated in the table below:

Table J-9. ESTIMATED CHARACTERISTICS OF CIVILIAN LABOR FORCE, ADULT POVERTY POPULATION, AND MANPOWER PROGRAM PARTICIPANTS

Characteristics	Total U.S. work force 1968 (age 16-64), civilian, non- institutional	Poverty population 1968 (age 16-64), civilian, non- institutional	Manpower, programs, participants 1969 estimate (age 14 and above) ¹
Average number (millions).....	75.6	10.9	1.2
Percent:			
Aged 21 or less.....	14	19	40
Aged 55 or more.....	14	19	7
Male.....	63	39	60
Less than high school education.....	39	69	62
8th grade education or less.....	20	50	17
Poor.....	7	100	73
Welfare recipients.....	1	22	21
Disabled.....	(2)	(2)	38
Minority races.....	11	30	42

¹ All entries are estimates. Excludes Job Placement Assistance and In-School programs.

² Not available.

Table J-9 indicates that manpower programs are meeting their intended targets: the poor, the less educated, members of minorities, youth, and welfare recipients. Older persons are a small part of the population served since employment is often less appropriate than income support.

As indicated in table J-10 below, the characteristics of enrollees served by different approaches vary considerably.

Table J-10. ESTIMATED CHARACTERISTICS OF ENROLLEES BY APPROACH
IN 1969 (in percent)

Approach	Poor	Less than high school education	Minority races	Aged 21 or less	Male	Welfare recipient	Disabled
OJT.....	51	53	45	47	79	9	3
Institutional training.....	81	67	57	43	55	34	7
Rehabilitation.....	70	56	22	24	56	11	100
Post-school work support.....	95	85	53	65	51	38	2
Subtotal post-school.....	73	62	42	40	60	21	38
In-school work support.....	100	97	58	100	54	31	0
Total.....	83	75	48	63	58	25	24

In 1969, OJT enrollees were among the least disadvantaged because the OJT programs enrolled those most job-ready. In 1971, this distribution is expected to change because of the growth of the JOBS program which reaches the "hard core" disadvantaged. Institutional programs serve high proportions of welfare clients and educationally disadvantaged and will reach even more disadvantaged clients in 1971 with the growth of the WIN program. Most disabled persons are served by rehabilitation programs specifically targeted to their needs. The work support programs focus on the most disadvantaged groups and provide a source of income for those who have no immediate prospects for regular jobs.

SERVICES PROVIDED

Each major program approach provides a substantially different mix of services, as shown in Table J-11.

Table J-11. ESTIMATED DISTRIBUTION OF COSTS BY APPROACH IN 1969
(in percent)

Service	Approach ¹				
	OJT	Institutional	Work support	Rehabilitation	Job placement assistance
Remedial education.....	2	9	1	0	1
Skill training.....	22	25	*	5	1
Work supervision.....	1	*	11	0	1
Child care.....	*	2	*	0	2
Health.....	1	2	*	19	*
Recruitment, counseling, and placement.....	11	9	4	28	70
Program administration.....	9	15	11	7	22
Other supportive services ²	20	4	2	27	3
Allowances.....	34	35	70	15	*
Total.....	100	100	100	100	100

*Less than 0.5%.

¹ Excludes Federal Program Direction, Research, and Experimentation. Includes State and local shares.

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

Most OJT programs reimburse employers (who provide training and other supportive services), although a few programs provide allowances and other services directly to enrollees. The institutional programs focus on remedial education and skill training. Work support programs emphasize payment of allowances for work performed, and work supervision. The job placement assistance programs provide counseling, placement, and such services as child care to allow parents to work. Overall, allowances are the largest part of manpower costs, reflecting the need of enrollees for income support while participating in training.

Although a comprehensive array of services is provided in total, the actual services available to each enrollee are often limited to those of the particular program in which he participates. For example, in 1971 over 77% of the child care is provided for WIN enrollees, even though WIN accounts for only 18% of all post-school women enrolled. Consolidation and coordination of programs under the Manpower Training Act will better enable enrollees to receive the services which are most appropriate to their needs.

In addition to the great variance in services provided by program and approach, there are significant differences in overall unit costs.

Table J-12. ESTIMATED MAN-YEAR AND PARTICIPANT UNIT COSTS BY APPROACH¹

Approach	1969 man-year unit cost estimate	1971		
		Man-year unit cost estimate	Average duration of en- rollment (years)	Partici- pant unit cost estimate
OJT.....	\$2, 200	\$2, 400	.56	\$1, 350
Institutional training.....	3, 500	3, 150	.57	1, 800
Rehabilitation.....	1, 150	1, 300	1.16	1, 500
Post-school work support.....	3, 150	3, 550	.52	1, 850
Subtotal post-school.....	1, 900	2, 150	.74	1, 600
In-school work support.....	1, 550	1, 700	.25	450
Total.....	1, 900	2, 100	.59	1, 200

¹ Based on man-years of service. Includes State and local share, if any. All dollar amounts rounded to nearest 50.

In 1969 unit costs are highest for institutional training programs, reflecting the intensive services provided to participants. By 1971, the Job Corps decrease and redirection, and the growth of other less costly programs, will considerably reduce unit costs. Both man-year and participant costs are lowest for in-school programs, because they are part time or of short duration. OJT costs are also low because the employers' payment of salary avoids the need for allowances in most cases. However, OJT costs are rising due to the more intensive level of services provided by the JOBS program. Unit costs for post-school work support will rise substantially because of the new NYC out-of-school program with its enriched educational services. In all cases

except Rehabilitation, the participant unit cost is lower than the man-year cost because the duration of enrollment is less than one year.

In all approaches, unit costs vary widely among individual programs reflecting the intensity of services. For example, Job Corps and Vocational Rehabilitation provide a wider range of services than most other programs. However, a larger part of the variance is due to other factors. The Work Incentive program, for example, pays lower allowances than most programs because enrollees are already receiving welfare payments. Project 100,000 has a low-unit cost because only incremental training costs over normal military training are attributed to the program.

MANPOWER FUNDS BY AGENCY

The following table shows manpower obligations and outlays by agency, appropriation, and functional code. Three agencies—Labor, OEO, and HEW—account for 89% of all manpower outlays in 1970. With the proposed transfer of OEO manpower programs to the Department of Labor under the Manpower Training Act, Labor and HEW alone will account for 81% in 1971.

Table J-13. MANPOWER FUNDS BY AGENCY, APPROPRIATION AND FUNCTION (in millions of dollars)

Agency and appropriation	Functional code	Outlays			Obligations		
		1969	1970	1971	1969	1970	1971
Office of Economic Opportunity:							
Economic Opportunity Act.....	604	780	811	881	882	778	802
Economic Opportunity Act.....	551	32	37	48	36	50	66
Manpower Training Act transfer.....	604			-689			-622
Subtotal, OEO.....		812	848	240	918	828	246
Department of Defense:							
Military Personnel:							
Army, Navy, Marine Corps, and Air Force...	051	8	8	8	8	8	8
Operation and Maintenance:							
Army, Navy, Marine Corps, and Air Force...	051	16	14	13	16	14	13
Research, Development, Test, and Evaluation, Army.....	051	*	*	*	*	*	*
Subtotal, Defense.....		24	22	20	24	22	20
Department of Health, Education, and Welfare:							
Vocational Education.....	603	4	10	16		14	24
Rehabilitation Services and Facilities.....	703	351	478	530	371	499	539
Work Incentives.....	604	33	138	199	115	130	170
Grants to States for Public Assistance.....	703	38	55	75	40	58	78
Programs for the Aging.....	703		6	9		9	10
Federal Disability Insurance Trust Fund.....	701	16	20	22	17	20	22
Federal Old-Age and Survivors Insurance Trust Fund.....	701	1	2	2	1	2	2
Subtotal, HEW.....		443	708	852	542	731	844

See footnote at end of table.

Table J-13. MANPOWER FUNDS BY AGENCY, APPROPRIATION AND FUNCTION (in millions of dollars)—Continued

Agency and appropriation	Functional code	Outlays			Obligations		
		1969	1970	1971	1969	1970	1971
Department of Housing and Urban Development:							
Model Cities programs.....	551		18	38	14	38	40
Community Development Training.....	554	*	1	2	*	1	1
Subtotal, HUD.....		*	19	40	14	40	42
Department of the Interior:							
Education and Welfare Services.....	601	24	38	41	24	38	41
Department of Justice:							
Federal Prison Industries Fund.....	908	2	3	4	2	3	4
Department of Labor:							
Manpower Development and Training Activities.....	604	374	412	608	401	672	748
Manpower Administration, S. & E.....	609	32	40	62	30	40	61
Bureau of Apprenticeship and Training, S. & E.....	604	9	8	7	9	7	7
Bureau of Employment Security, S. & E.....	609	18	18		19	16	
Grants to States for Employment Security.....	609	318	350	380	317	350	380
Wage and Labor Standards, S. & E.....	609			1			2
Bureau of Labor Statistics, S. & E.....	609	8	8	9	9	9	10
Federal Contract Compliance and Civil Rights.....	609	*	1	*	1	1	
Manpower Training Act.....	604			714			667
Subtotal, Labor.....		760	838	1,781	786	1,096	1,873
Veterans Administration:							
Compensation and Pensions.....	801	20	27	29	20	27	29
Readjustment Benefits.....	802	56	103	127	60	104	126
General Operating Expenses.....	809	13	15	16	13	15	16
Subtotal, VA.....		90	145	172	94	146	171
Equal Employment Opportunity Commission:							
Equal Employment Opportunity Commission, S. & E.....	609	9	13	18	9	13	19
All Federal agencies—Disadvantaged Youth Programs.....		61	68	68	61	68	68
Total.....		2,225	2,701	3,236	2,474	2,984	3,329

*Less than \$500 thousand.

SPECIAL ANALYSIS K

FEDERAL HEALTH PROGRAMS¹

General overview.—Federal outlays for health are estimated at \$20.6 billion in 1971, an increase of \$1.8 billion over the 1970 level. As indicated in table K-1, Federal spending for health in 1971 will rise to 10.5% of Federal outlays for all purposes and will continue to account for more than one-fourth of all public and private expenditures for health. The higher share of Federal health outlays beginning in 1967 reflects the enactment of Medicare and Medicaid, through which the Federal Government assumed responsibility for a significant portion of the health care needs of the aged and the poor.

Table K-1. TOTAL FEDERAL OUTLAYS, FEDERAL OUTLAYS FOR HEALTH, AND TOTAL NATIONAL EXPENDITURES FOR HEALTH¹ (dollars in billions)

	1960	1965	1967	1968	1969	1970	1971
Total Federal Outlays.....	\$92.2	\$118.4	\$158.4	\$178.9	\$184.6	\$197.9	\$200.8
Federal Outlays for Health.....	\$3.5	\$5.2	\$10.8	\$14.1	\$16.6	\$18.8	\$20.6
Federal Health outlays as percent of total Federal outlays.....	3.8	4.4	6.2	7.9	8.2	10.0	10.5
Total National Health Expenditures.....	\$26.4	\$38.9	\$48.2	\$53.9	\$60.3	NA	NA
Federal Health outlays as percent of total National Health expenditures.....	13	13	22	26	28	-----	-----

¹ Historical data on total public and private health expenditures shown in table K-1, are published by the Department of Health, Education, and Welfare in the Social Security Bulletin. The HEW tabulation estimates lower Federal outlays than in this analysis, primarily because it excludes outlays for medical training and education, Federal agency contributions for employee health programs, Department of State, and AID expenditures for overseas health programs and the Department of Agriculture's outlays for meat and poultry inspection. Within the more restricted HEW definition Federal outlays were 11% of the total in 1960 and rose to 25% in 1969.

NA=Not available.

Table K-2 distributes Federal health outlays by program categories for the years 1969-71. The major factor in the yearly increase continues to be Medicare and Medicaid, both of which are included in "Provision of hospital and medical services." Outlays from these two programs account for \$11.6 billion and 83% of the total \$1.8 billion increase over 1970. In 1965, only 19% of Federal outlays for health was directed towards financing personal health care for the general population. By 1967, this proportion had risen to 48%, and in 1971,

¹ The Health analysis includes all the medical and health related outlays of the Federal Government. It covers not only the health programs classified in the "Health" function in Part 4 of the Budget Document, but also health aspects of programs in agencies which are assigned to other functions in the budget. The largest of this latter group are the health programs in the Department of Defense and the Veterans Administration. The addition of health outlays from programs and agencies functionally classified elsewhere in the budget, account for the \$20.6 billion reported in this analysis compared to the \$15 billion reported in Part 4 of the budget.

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

total outlays for this purpose are expected to equal \$13 billion, or 63% of all Federal expenditures for health.

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

	1969 actual	1970 estimate	1971 estimate
Development of health resources, total.....	3,111	3,498	3,640
Health research.....	1,528	1,622	1,660
Training and education.....	805	951	1,033
Construction of hospitals and health facilities.....	612	705	712
Improving the organization and delivery of health services.....	166	220	235
Provision of hospital and medical services, total.....	12,794	14,486	16,096
Direct Federal hospital and medical services.....	2,860	3,147	3,116
Hospital and medical services, indirect.....	9,934	11,339	12,980
Prevention and control of health problems, total.....	651	803	866
Disease prevention and control.....	411	489	504
Environmental control.....	86	134	163
Consumer protection.....	154	181	199
Total outlays from Federal and trust funds.....	16,556	18,787	20,602

The large and relatively uncontrollable increases in Medicare and Medicaid tend to obscure other important directions reflected in the 1971 budget proposed by the administration. Excluding these programs, Federal health outlays rise from \$8,637 million in 1970 to an estimated \$8,972 million in 1971. Highlights of these increases, discussed in the appropriate sections below, will:

- | | <i>1971 increase
(dollars in millions)</i> |
|--|--|
| • Increase the supply of trained health manpower, principally via programs in HEW, VA, Defense, and Labor..... | 82 |
| • Increase the construction of facilities providing care to ambulatory patients, thereby offering less expensive, but medically appropriate alternatives to hospitalization, primarily through HEW programs..... | 18 |
| • Increase the attack on air pollution and other environmental factors principally via HEW, Agriculture, DOT and Interior programs..... | 52 |
| • Increase family planning services and research, domestically through OEO and HEW programs, and overseas through AID programs..... | 93 |
| • Improve the efficiency of the Nation's organization and delivery of health services through HEW, VA and OEO programs..... | 29 |
| • Increase services offered through special and comprehensive centers for mothers and children, the poor, and the mentally ill including narcotics and alcoholics, through programs in HEW and OEO..... | 60 |
| • Increase HEW's biomedical research, particularly in cancer, heart and lung disease and tooth decay, to exploit recent breakthroughs in our knowledge..... | 38 |

Because of the time lag, a significant part of the increase in program level for ambulatory care facilities and biomedical research provided in the 1971 budget, will not be reflected in higher outlays until 1972.

DEVELOPMENT OF HEALTH RESOURCES

Federal programs aimed at enlarging the health resources of the Nation include health research, health manpower training and education, construction of medical and health facilities, and efforts directed toward improving the organization and delivery of health services. The combined outlays for these programs will rise to almost \$3.6 billion in 1971.

Health research.—Thirteen Federal agencies are engaged in the support of health research aimed at the solution of a range of problems from the prevention and cure of human diseases and of plant and animal diseases related to human health, to insuring the health of our astronauts in space. These agencies will spend \$1,660 million for mission-related health research in 1971, an increase of \$38 million over 1970, and \$132 million over 1969 (see tables K-14 through K-16).

The Federal Government currently provides about 60% of all funds spent in the United States for health research, with industry contributing 28%, and foundations, voluntary health agencies, and others contributing 11%. Federal health research funds are spent largely in the Nation's medical schools, universities, and other non-profit institutions, accounting for about 63% of Federal health research expenditures. Federal laboratories and clinics account for 25%, with about 12% going for support of research conducted by industry and others. Some of the purposes for which Federal health research funds are spent are indicated in table K-3.

The Department of Health, Education, and Welfare, will account for 72% of total Federal health research expenditures in 1971. Because the health role of HEW represents the broadest mandate to protect and improve the health of the American people, the health research supported by HEW spans a broad spectrum of inquiry ranging from research aimed at the solution of specific health problems (such as cancer, heart disease, mental illness, and the purity of our food, drugs, and environment), to basic biomedical research aimed at increasing our understanding of the biological, physical, mental, and environmental factors which affect life processes.

Table K-3. FEDERAL OUTLAYS FOR HEALTH RESEARCH (in millions of dollars)

	1969 actual	1970 estimate	1971 estimate
Basic research.....	562	583	569
Categorical research and development.....	903	971	1,035
Cancer.....	(170)	(166)	(182)
Cardiovascular.....	(142)	(143)	(155)
Mental health.....	(76)	(85)	(88)
Neurological and visual.....	(88)	(87)	(86)
Population and family planning.....	(54)	(67)	(72)
Environmental health.....	(87)	(112)	(135)
Other categorical research and development.....	(286)	(311)	(317)
Research facilities construction.....	62	67	57
Research, total.....	1,528	1,622	1,660

In 1971, HEW health research increases will be concentrated on high priority health problems and on exploiting new research leads which provide clues to the prevention or control of certain diseases. Research on viruses implicated as the cause of cancer will be significantly expanded, as will research on the relationship of heart disease and risk factors associated with the incidence of cardiovascular disease. Research aimed at eliminating the cause of dental caries will be increased along with greater support for research on pulmonary diseases.

High priority has been accorded efforts to eliminate diseases and disabilities affecting infants and children. Research on these problems and on the development of safe and effective means of contraception will be increased markedly. Consistent with intensified efforts to improve our environment, research on the biological action of environmental pollutants will be increased. Support for research on the mental and social problems of drug abuse and alcoholism will also increase in 1971.

The health research supported by the Veterans Administration has as its focus service-connected disabilities or diseases, and the medical problems of aging veterans, with particular emphasis on mental illness, dental diseases and clinical pharmacology. DOD research, which is directed towards the care and rehabilitation of war casualties, plus VA research support, will equal 9% of total Federal outlays for health research in 1971.

The National Aeronautics and Space Administration supports a health research component directed toward insuring the health of astronauts in space. The 1971 program will also support environmental health research on the control of noise pollution from aircraft, and the use of aerial and satellite mapping of sources of pollution, erosion, and other ecological problems.

The Atomic Energy Commission, concerned with the health implications of nuclear energy, will continue its research on the interaction of radiation with living matter. This research will focus on three areas: understanding the biological effects of radiation; protecting man from exposure to radiation; and the utilization of radiation to help in the solution of health problems, such as the treatment of cancer and the development of radioisotope tracers for use in biomedical experimentation. In addition, collaboration between HEW and AEC scientists has resulted in improved techniques for separating viruses for use in the production of vaccines of higher purity and with fewer adverse side effects.

The health research supported by the Department of Agriculture is focused largely on the consequences of diseases affecting animal and vegetable products. Research is also conducted on the role of insects as carriers of disease in efforts to develop prevention and control methods. The Agency for International Development will concentrate its research activities on new means of fertility control and new approaches to the control and eradication of epidemic and endemic diseases in less developed countries. Other health research activities include basic research in biology and biochemistry supported by the National Science Foundation.

Training and education.—One of the factors contributing to the present inability of the health care system to meet the demand for health services is the shortage of trained individuals to deliver these services. For the past 20 years, Federal support for medical school programs concentrated on biomedical research which has grown from under \$100 million in 1950 to over \$1,600 million in 1970. While indirectly assisting the education of medical students, the expenditure of these funds in medical schools was almost exclusively for research projects and research training programs. These funds have enabled medical schools to increase their full-time faculty to 20,500 in 1970, a 422% increase over 1950, and the number of pre- and post-doctoral (largely research) students to 17,000, a 208% increase over 1950. Over the same period, the number of interns and residents in Medical school programs increased by 280%, to nearly 23,000. The number of medical students, however, had increased by only 42%, to an estimated 37,200.

In order to increase the supply of physicians and other health service manpower, the Federal Government in recent years has undertaken direct efforts to stimulate the training of more health professional and paramedical personnel. These efforts have concentrated on expanding the enrollments of health professions schools through construction, institutional, and student aid; on increasing the numbers and types of paramedical personnel; and on increased use of Federal facilities to provide training for all types of health personnel.

Ten Federal agencies are engaged directly in the support of education programs to train medical, dental, nursing, paramedical, and other health professional personnel. The number of health professionals who will be aided for some part of their education by Federal agencies in 1971 is indicated in table K-4.

Table K-4 **FEDERAL AGENCIES SUPPORTING HEALTH MANPOWER TRAINING IN 1971**

	Students and trainees				
	Physicians ¹	Dentists	Nurses	Other professionals ²	Paramedicals
Department of Health, Education, and Welfare.....	19, 144	15, 670	40, 713	17, 825	515
Veterans Administration.....	17, 400	1, 200	22, 000	4, 425	4, 679
Department of Labor.....					14, 220
Department of Defense.....	3, 083	481	2, 495	1, 028	6, 797
Office of Economic Opportunity.....	2, 930	232	995		3, 387
Other agencies.....	74		424	195	419

¹ Includes medical students, interns and residents.

² Includes pharmacists, optometrists, podiatrists, veterinarians, etc.

The Department of Health, Education, and Welfare, principally through the health manpower programs of the National Institutes of Health, supports the training of the largest number of physicians, dentists, nurses, and other health professionals. In 1970, HEW initiated the Physician Augmentation Program to enroll 1,000 medical

students in addition to the increase originally planned by medical schools. In 1971, as in 1970, the HEW program of direct loans and scholarships for health professions students will be concentrated on assisting students from income backgrounds under \$10,000. The Veterans Administration, through its 166 hospitals, most of which are associated with medical schools, trains large numbers of all types of health manpower for its own and the Nation's health care system.

The Department of Labor, through the Manpower Development Training Act, supports the training of the greatest number of paramedical personnel of any Federal agency, followed by the Defense Department.

In 1971, Federal outlays for health training and education will rise to \$1,033 million, an increase of \$82 million over 1970 and \$228 million over 1969. These outlays, by type of professional training supported and by type of training space constructed, are distributed as shown in table K-5. Included in the expenditures under "all other training" is support for short-term training of nurses and paramedical personnel and continuing education programs for physicians.

Table K-5. FEDERAL SUPPORT FOR HEALTH TRAINING

	Outlays (in millions of dollars)			First-year spaces added ¹		
	1969	1970	1971	1969	1970	1971
Physicians:						
Training.....	176	203	241			
School construction.....	61	96	97	284	343	443
Dentists:						
Training.....	30	36	50			
School construction.....	12	24	27	61	242	177
Nurses:						
Training.....	62	67	70			
School construction.....	11	13	23	1,174	500	500
Other health professions:						
Training.....	81	98	105			
School construction.....	4	11	13	247	290	147
Paramedical training.....	62	65	71			
Research training.....	205	218	214			
All other training.....	101	120	122			
Total.....	805	951	1,033			

¹ Numbers reflect results of obligations in given year.

Construction of health care facilities.—Federal outlays are estimated at \$712 million in 1971, compared to \$705 million in 1970. These expenditures will be used to build or modernize health care facilities operated by Federal agencies for their own beneficiaries, or to support construction of community facilities to serve the general population. Federal outlays accounted for approximately 15% of the \$2.4 billion total national expenditures for health facility construction in 1969.

The Federal Government will spend \$153 million in 1971 for construction of its own hospitals and health facilities, primarily those operated by the VA, the Department of Defense, and the Department

of Health, Education, and Welfare. These expenditures will concentrate on modernizing existing facilities to increase operating efficiency, adjust to the changing needs of beneficiaries, and adapt to improve medical technology. As another means of improving the effectiveness of the Nation's medical delivery system, the VA and HEW are considering common construction so that a single facility can serve beneficiaries of both systems.

The largest Federal program to support construction of community-operated health facilities is the Medical Facilities Construction (Hill-Burton) program of the Department of HEW. From its enactment in 1946 through 1970, the Hill-Burton program approved construction or modernization of about 467,000 hospital and long-term care beds costing about \$12 billion, of which \$3.7 billion represents the Federal share. Through Hill-Burton grants, national shortages of hospital beds have been virtually eliminated.

Now, however, new conditions and changing needs make sole reliance on grant programs or emphasis on additional hospital beds inappropriate. With medical price increases and the inability of the health system to deliver services effectively, there is growing recognition of the need to develop ambulatory care facilities (hospital outpatient departments, clinics, and community centers), particularly where they can serve as more efficient and economical alternatives to hospital care. In addition, the growth of third party payments (e.g., private insurance, Medicare and Medicaid) to cover the costs, including depreciation, of hospital and skilled nursing home care, has improved the ability of these institutions to finance needed capital improvements through borrowing.

Based on these factors, the 1971 budget reflects a major program shift in the medical facilities construction program: directing grants toward ambulatory care facilities; relying upon guaranteed loans with interest subsidies for construction and modernization of private non-profit hospitals and long-term care facilities; and providing direct loans for public institutions.

A comparison of actual budget authority in 1969 with the 1971 budget request emphasizes the program shift. Grants for construction of hospitals and skilled nursing homes were \$228 million in 1969 and are replaced in the 1971 budget by \$500 million in loan guarantee authorizations and \$30 million in direct loans. Grants for ambulatory care facilities rise from \$18 million in 1969 to \$40 million in the 1971 budget. It is estimated that the mortgage guarantee and direct loan programs will construct or modernize 8,400 hospital beds while the grant program will support 140 ambulatory care facilities.

Other Federal programs also help supply funds for construction of community health facilities. The Department of Housing and Urban Development provides grants for sanitation facilities, loans to smaller communities to construct essential health facilities, and mortgage insurance (but without an interest subsidy) for construction of hospitals, nursing homes and group practice facilities. It is estimated that the volume of mortgage insurance commitments in 1971 by HUD will total \$255 million, an increase of \$96 million over 1970, which will construct or modernize over 1,000 hospital beds and 16,820 proprietary and nonprofit long-term care beds. HEW grants available for the construction of community mental health centers have assisted

in the construction of 376 centers from 1965 through 1969. An estimated 97 centers will be built in 1970 and 1971. Table K-6 shows health facility construction trends for 1969-71.

Table K-6. HOSPITAL AND HEALTH FACILITY CONSTRUCTION

	Outlays (in millions of dollars)			Volume of loan guaranteed commitments		
	1969	1970	1971	1969	1970	1971
Federal hospitals and health facilities:						
Hospitals, new, modernized and replaced.....	99	126	110			
Long-term care facilities.....			1			
Ambulatory care facilities.....	19	5	3			
Environmental health facilities.....	18	20	26			
Other health facilities.....	11	7	14			
Federally supported construction of hospitals and health facilities:						
Hospitals, new, modernized and replaced.....	174	191	174	28	23	184
Long-term care facilities.....	74	86	90	113	113	185
Ambulatory care facilities.....	75	93	97	5	24	53
Environmental health facilities.....	130	157	182			
Other health facilities.....	13	19	16			
Total.....	612	705	712	146	160	422

Organization and delivery of health services.—In their “Report on the Health of the Nation’s Health Care System,” on July 10, 1969, HEW Secretary Robert Finch and Assistant Secretary Roger Egeberg said: “Expansion of private and public financing for health services has created a demand for services far in excess of the capacity of our health system to respond. The result is a crippling inflation in medical costs causing vast increases in Government health expenditures for little return, raising private health insurance premiums and reducing the purchasing power of health dollars of our citizens.”

The 1971 budget mounts a concerted effort to alleviate these problems, through programs to expand manpower, construct ambulatory care facilities, and fund comprehensive health centers. Besides these efforts, the 1971 budget estimates outlays of \$213 million, an increase of \$29 million over 1970 for domestic programs which are oriented toward experimental approaches and innovative concepts in the delivery of health care. In addition, the Agency for International Development will expend \$22 million for similar programs overseas. Over 80% of the domestic outlays result from the following three programs in the Department of Health, Education, and Welfare.

The *Partnership for Health* program will spend \$26 million in 1971, an increase of \$3 million, to assist States, regions and local communities to create a planning framework within which health needs and resources can be analyzed, priorities established, improved health care systems designed and alternative courses of action evaluated and recommended.

By 1971, State planning agencies in all 50 States, the District of Columbia and five territories, will have completed the organizational phase of their activities and become involved in substantive review and analyses and priority determination. Area-wide health planning groups will be increased from 113 in 1970 to 125, and their funding expanded. Recognizing the potential of planning agencies to bring rational considerations to bear on resource development, proposed legislation provides that plans and projects to construct health care facilities must be presented for their review. Further, the Administration has proposed that Medicare and Medicaid reimbursements for depreciation be limited to medical facilities whose construction proposals have been approved by State health planning agencies.

Through the *Regional Medical Programs* substantial progress has been made in fostering cooperation among medical schools, local health departments, physicians, hospitals, and community groups to achieve prompt delivery to the patient of existing and new medical knowledge and technology, and to carry qualitative improvements in the health care system to all parts of the Nation. To this end, the program will fund advanced education and training for 188,000 doctors and nurses, support certificate training for 21,000 allied health personnel, and finance approximately 170 patient care demonstration and diagnostic screening projects. Outlays in 1971 are estimated to be \$68 million, an increase of \$19 million over 1970. The increase will permit funding of operational projects in all 55 Regional medical programs.

The *National Center for Health Services Research and Development* is the principal research arm of the national effort to improve the organization, delivery and financing of health services. In 1971, the National Center will focus its attention on developing and evaluating new organizational structures for health care and training health researchers. In addition, the Center will finance and evaluate a special series of experiments in health planning and systems organization conducted through local RMP and Partnership agencies. Budget authority to finance the expanded program will increase from \$37 million in 1970 to \$50 million in 1971.

To achieve closer coordination among the programs and accelerate efforts to improve the effectiveness of the health care delivery system, proposed legislation to continue the programs will also establish a common direction and unified set of objectives.

In other efforts to encourage efficiency and reduce costs, several studies have been initiated by HEW using Medicare, Medicaid, and Maternal and Child Health reimbursement payments to experiment with (1) the comparative advantages of prepaid group practice and fee for service care, (2) the application of industrial engineering techniques to establish performance standards for hospitals and other providers of health care, and (3) the use of financial incentives to encourage providers to operate within preset target costs. In addition, the Office of Economic Opportunity will spend \$12 million for projects which focus on restructuring rural health delivery systems, reorganizing hospital outpatient departments, and developing prepayment plans for the poor.

The Veterans Administration is also devoting efforts to redesigning

its system of delivering health services to veterans. In 1971, the VA will spend almost \$26 million in implementing management and manpower utilization techniques to improve health services for its beneficiaries and to continue development of an automated hospital information system.

PROVISION OF HOSPITAL AND MEDICAL SERVICES

The Federal Government provides for hospital and medical care in two ways: (1) by financing the costs of health services obtained by eligible beneficiaries in non-Federal facilities or from private physicians; and (2) by directly operating health care facilities for certain groups of beneficiaries entitled to receive medical services at Government expense. Outlays for both of these categories are estimated to reach \$16.1 billion in 1971, an increase of 11% over the 1970 level (see table K-7) and 78% of all Federal health outlays in 1971.

Table K-7. PROVISION OF HOSPITAL AND MEDICAL SERVICES

	Outlays (in millions of dollars)			Number admitted (in thousands)		
	1969	1970	1971	1969	1970	1971
Provision of direct Federal hospital and medical services-----	2,860	3,147	3,116	-----	-----	-----
General hospital inpatients-----	1,543	1,696	1,678	2,226	2,196	2,147
Psychiatric hospital inpatients---	314	351	365	129	130	131
Long-term care inpatients-----	57	64	66	40	40	42
Outpatient visits and other services-----	946	1,036	1,007	67,597	68,208	67,196
Provision of hospital and medical services, indirect-----	9,933	11,339	12,980	-----	-----	-----
General hospital inpatients-----	5,486	6,223	7,421	7,527	7,988	8,326
Psychiatric hospital inpatients---	153	184	141	166	193	201
Long-term care inpatients-----	1,133	1,348	1,422	1,091	1,199	1,307
Physician services—Office, home or institution-----	1,961	2,319	2,518	-----	-----	-----
Outpatient visits and other services-----	1,201	1,264	1,478	55,541	61,564	66,627
Total-----	12,793	14,486	16,096	-----	-----	-----

Payment for hospital and medical service.—Medicare.—In 1971, Medicare will continue efforts to achieve its dual objectives of assuring older citizens access to quality medical care and relieving the aged and their families of a major portion of the burden of paying for health services.

As Medicare moves toward achieving these purposes, it has necessarily increased the demand for services. While a comparison of pre- and post-Medicare patterns of utilization by the aged is not currently available, during the first three years of the Medicare program, admissions to hospitals and extended care facilities and use of physicians' services increased substantially. The pattern is expected to continue in 1970 and 1971 as shown in the table below:

	1967	1968	1969	1970	1971
a. Hospitals:					
Admissions (in thousands)	4,967	5,655	5,918	6,233	6,529
Admissions per 1,000 covered aged	263	291	296	313	323
Benefit payments (in millions of dollars)	\$2,200	\$3,300	\$4,220	\$4,726	\$5,752
b. Extended care facilities:					
Admissions (in thousands)	¹ 198.6	448.5	507.6	567.0	622.0
Admissions per 1,000 covered aged	¹ 10.5	23.0	25.0	28.5	30.6
Admissions as a percent of hospital admissions	¹ 4.0	7.9	8.6	9.1	9.5
Benefit payments (in millions of dollars)	¹ \$94	\$330	\$390	\$448	\$512
c. Physicians' services:					
Individuals meeting deductible (in thousands)	6,900	8,810	8,990	9,320	9,660
Benefit payments (in millions of dollars)	\$481	\$1,142	\$1,500	\$1,789	\$1,855
d. Medical prices, percent increase from prior year (as of June in year shown):					
Medical care services	9.2	7.1	8.7	-----	-----
Hospital daily service charge	21.9	12.2	13.0	-----	-----
Physicians' fees	7.3	5.5	7.3	-----	-----

¹ Data represents half-year experience only since benefits began January 1, 1967.

From 1968 to 1971 (1967 was somewhat atypical), hospital admissions under Medicare are estimated to increase 15%. When adjusted for population growth, the rise is still 11%. Similarly, the number of aged persons who expend more than \$50 a year for physicians' and other outpatient services is expected to increase 9% over the 4-year span.

During the same period, benefit payments for hospital insurance increased 74.3%, and 62.4% for physicians fees. In addition to the utilization increase, the sharp rise in medical prices was a major factor in the growth in benefit payments. From July 1966 to June 1969 the cost of medical care services increased 27.1%. By comparison, the overall consumer price index, with medical care excluded, rose 15.9% during the same period.

Medicare's rising costs are having a direct impact on the program's financing provisions. Effective January 1, 1970, the deductible paid by an aged person admitted to a hospital increased from \$44 to \$52. In addition, the monthly premium paid by each enrollee in the Supplementary Medical Insurance program will increase on July 1, 1970, from \$4 to \$5.30. Finally, in order to assure actuarial soundness of the hospital insurance trust fund, legislation will be proposed to increase the share of the Social Security combined payroll tax allocated to the Medicare program from 1.2% to 1.8% effective January 1, 1971.

Efforts to contain Medicare costs have been intensified over the past year. Primarily, they take the form of more careful review of the level of care provided in hospitals and extended care facilities, enforcing utilization review requirements, reviewing physician bills and rejecting unreasonable physician fee increases. In addition the administration has proposed legislation which would: (1) limit Medicare and Medicaid depreciation payments to medical facilities whose capital improvements have been approved by the State health planning agency; (2) bar from the program, hospitals, physicians, and other health service providers found guilty of flagrant abuses; (3) expand utilization review authority to include the initial need for hospitalization.

Medicaid.—On the basis of estimates submitted by the States, but adjusted to reflect proposed legislation, total Federal, State, and local

medical assistance payments on behalf of the needy are expected to rise from \$5.1 billion in 1970 to \$5.5 billion in 1971. The Federal share of these payments will increase 9.3%, from \$2.61 billion in 1970 to \$2.86 billion in 1971. Higher outlays reflect an increase in the number of persons served from 10.2 million in 1970 to 11.3 million in 1971, a continued rise in medical prices, greater utilization of services by beneficiaries, and an expansion of the program to all 54 States and jurisdictions by the end of 1971.

In terms of the types of services provided, Medicaid is heavily weighted toward inpatient hospital care and nursing homes. In 1970, hospitals and nursing homes accounted for approximately 67% of all Federal Medicaid outlays, while services rendered by physicians represented 11.6%, outpatient hospital services 4.6%, and drugs, 6%. In an effort to reverse these proportions, legislation will be proposed to discourage overutilization of institutional patient care and encourage greater use of hospital outpatient clinics, comprehensive health centers, and home health services.

As in the past, eight States will receive approximately 60% of Federal Medicaid payments, reflecting their more liberal income eligibility standards, larger populations, and wider scope of available health services. When total Medicaid payments, including Federal, State, and local contributions are calculated, these eight States represent an even larger proportion of the program reaching almost 75% in 1971. These States, however, account for only about a third of the Nation's poor, an indication that a substantial unmet need for medical assistance for the poor continues to exist in many areas.

Maternal and Child Health Service.—Whereas Medicaid's emphasis is the elimination of financial barriers to medical care for the poor, the Maternal and Child Health Service, in contrast, concentrates on bringing health services into areas where health resources are not available or are insufficient to meet the health needs of the poor.

The major thrusts of the programs of the Maternal and Child Health Service are to reduce infant and maternal deaths and birth defects, and provide family planning services to women who want but cannot afford such services. In 1971, the Maternal and Child Health Service will grant \$241 million to provide necessary health care for over 2 million mothers, infants, and crippled children. A portion of these grants will be matched by \$163 million in State expenditures.

Federal Employees Health Benefit program (FEHB).—Civilian Federal employees and retired employees and their families are offered a choice of five types of health insurance plans, including group practice plans, with the Federal Government contributing a fixed amount per participant but not more than 50% of the premium. While premiums have increased since 1961, the per capita Federal payment has remained relatively constant so that the proportion of Federal payments to total premiums has declined from 37% in 1961 to 23% in 1971. During the same period, Federal payments increased from \$121 million to \$249 million, and employee contributions rose from \$200 million to \$817 million, reflecting in part the growth in employees, their dependents, and annuitants participating in the program to 7.9 million in 1971. In addition to the in-

crease in participants, the rise in program costs is attributable to increasing medical prices and greater utilization of health services by FEHB participants.

Providing medical care directly to Federal beneficiaries.—The Federal Government provides direct Medical care for members of the Armed Forces and their dependents, retired servicemen and their dependents, veterans, merchant seamen and American Indians. Outlays for this purpose have declined from 49% of total Federal health expenditures in 1960 to 15% in 1971, primarily as a result of the rapid growth in Federal outlays for payment of hospital and medical care through the Medicare and Medicaid programs. Direct Federal care still remains a major program element, however, with outlays expected to total \$3.1 billion in 1971, a decrease of \$31 million from 1970.

To provide health services for the Nation's 2.9 million military personnel, retired military personnel, and dependents of both groups, the Department of Defense will maintain 251 hospitals and 54,414 beds in 1971 and contract with community medical facilities. Outlays to operate this health care system will decrease to \$1,785 million, down \$37 million from the 1970 level.

This decrease in expenditures is the result of the reduction in the size of the Armed Forces and number of dependents, offset to some extent by civilian and military pay increases and the higher cost for care in community facilities.

The Veterans Administration operates 166 hospitals, 98 long-term care units and 202 outpatient clinics, one of the largest health care systems in the world. In 1971, 822,000 beneficiaries will be admitted to VA hospitals and extended care facilities, and medical outpatient visits will increase from 6,947 million in 1969 to 7,852 million in 1971. Outlays for medical care within the VA system will increase to \$1,474 million and outlays for contract care will rise to \$88 million. Legislation will be proposed to require health insurance plans to reimburse VA hospitals for the cost of care provided to their policyholders when their hospitalization is not service-connected.

The VA medical system will continue to improve the quality of patient care and the efficiency with which it is delivered. Ninety-four VA hospitals are affiliated with medical schools, representing 18% of all university affiliated hospitals in the country. The number of specialized medical services will also continue to rise in 1971. For example, intensive coronary care beds will increase from 629 in 1969 to 1,422 by the end of 1971. Similarly, the average monthly patient turnover rate has increased from an overall average of 9% in psychiatric hospitals and 81% in general hospitals in 1965, to an estimated 22% and 103%, respectively, in 1971.

The Department of HEW will operate eight general hospitals, two narcotic hospitals, one leprosarium, 51 Indian health facilities, a Federal mental institution, and 30 PHS outpatient clinics in 1971. These facilities will service over 400,000 American Indians and natives of Alaska, nearly 200,000 American seamen, 132,000 U.S. Coast Guard personnel and their dependents, narcotics addicts, and persons committed or voluntarily presenting themselves for treatment at St. Elizabeths Hospital in Washington, D.C. Of the \$3,116 million expended for direct care, \$133 million will provide expanded health

services to the Indian population and sanitation facilities for approximately 7,310 Indian families, bringing the total number of Indian homes provided with sanitation facilities to 48,000.

Distribution of health care outlays by age groups and economic status.—Table K-8 distributes the Federal outlays for the “provision of hospital and medical services” category among three major age groups and between indigent and nonindigent persons. Funds expended for categories relating to the development of health resources and for the prevention and control of health problems are designed to serve the entire Nation and are not normally allocable by population group or income.

Table K-8 indicates that the largest health expenditure increase both in percentage and in absolute terms, will be for the aged, rising 13% in 1971 from \$9.2 billion to \$10.5 billion. The second largest percentage increase will be for children and youth, a 9% increase over 1970, reflecting the administration’s emphasis on providing health services during infancy and early childhood. In 1971, \$6.2 billion will be spent to provide or finance health care services for the needy, an increase of 9% over 1970, and an increase of 95% over 1967.

Of total outlays in 1971 for provision of health services, 65% will be on behalf of the aged. The 1971 increase of \$1.3 billion over 1970 is almost entirely attributable to increased outlays under the Medicare program. Medicaid payments for the aged will decrease slightly in 1971, reflecting the administration’s proposal to reduce support for long term care in nursing homes and mental hospitals. Despite the decrease, Medicaid benefits remain heavily weighted toward the aged. In 1971, 44% of the Federal Medicaid payments will go for the aged, although they comprise 30% of the program’s beneficiaries. Federal funds in total continue to pay approximately 60% of the personal health care costs of the aged. In 1966, prior to Medicare and Medicaid, the Federal share was 15%.

Table K-8. ESTIMATED HEALTH CARE OUTLAYS BY POPULATION AND INCOME GROUPS (in millions of dollars)

	1967	1969	1970	1971
Total, all recipients.....	7,831	12,793	14,485	16,096
Aged (65 and over).....	4,379	8,071	9,237	10,473
Other adults (19-64).....	2,535	3,427	3,814	4,059
Children and youth (0-18).....	917	1,295	1,443	1,564
Indigent, total.....	3,178	5,116	5,672	6,192
Aged (65 and over).....	1,968	3,281	3,581	3,797
Other adults (19-64).....	850	1,218	1,398	1,587
Children and youth (0-18).....	360	618	693	808
Nonindigent, total.....	4,653	7,678	8,813	9,094
Aged (65 and over).....	2,411	4,790	5,656	6,676
Other adults (19-64).....	1,685	2,210	2,417	2,472
Children and youth (0-18).....	577	677	740	756

Although total outlays for all the aged increase 13% in 1971 over 1970, outlays for the aged indigent will rise only 6%. The more rapid increase in outlays for the nonindigent results primarily from the enactment of the 15% increase in cash benefits for Social Security beneficiaries which reduced the percentage of the indigent aged from 34.5% on January 1, 1969, to 30% on January 1, 1970.

Federal health outlays for children from birth to 18 years will increase 9% to \$1.6 billion in 1971. Of the \$131 million increase over 1970, \$90 million is attributable to Medicaid which will provide almost \$600 million in services to this age group. Outlays by the Department of Defense for children of servicemen will decline slightly to \$596 million, reflecting the reduced size of the armed forces. Other significant increases are provided by OEO and the Maternal and Child Health program.

Virtually the entire increase in health outlays for children and youth will be aimed at needy families. In 1971, 52% of outlays will serve poor children as compared to 1967 when only 39% of services for children and youth went to the poor. This reflects the administration's policy of directing an increasing proportion of outlays toward needy children.

In 1971, \$4.1 billion will be spent to provide medical services to nonaged adults. More than half of these funds will be directed toward the poor, the bulk of which will pay for health care rendered to veterans, servicemen and Federal employees, as well as eligible dependents. Of the \$1.6 billion which will be spent for hospital and medical care to needy adults, \$805 million will come from Medicaid, \$480 million from the Veterans Administration and the remaining \$300 million from a number of smaller programs including OEO's neighborhood health centers, the Vocational Rehabilitation program and the Maternal and Child Health program. Seventy-seven percent of the increase over 1970 for nonaged adults will be for the poor. This reflects primarily the increase of \$137 million in Medicaid outlays.

PREVENTION AND CONTROL OF HEALTH PROBLEMS

Significant savings in terms of human life and economic productivity, conservation of our limited health resources, and avoidance of needless pain and suffering have been achieved in recent years by increased efforts to prevent and control health problems. Efforts in this area will be increased in 1971 with total outlays of \$866 million. Some of the activities classified under the two previous categories—Development of Health Resources and Provision of Health Services—could also be included in this category (e.g., portions of health research, manpower training, planning of health services, and family planning). However, because of the difficulty of separating prevention activities from medical treatment activities in such programs, only those programs which in their totality are directed toward prevention and control are included in this category.

Until recently, the principal activities under this category were of the traditional "public health" character—that is, efforts directed at large population groups to prevent or control a specific disease, such as tuberculosis. Although such activities are still important and are

strongly supported by State and local governments, the trend being emphasized by the Federal Government is toward comprehensive health care which includes prevention activities, and toward an attack on environmental factors, which, in addition to their immediate impact, often produce subtle and long-term effects on health.

Table K-9. FEDERAL OUTLAYS FOR THE PREVENTION AND CONTROL OF HEALTH PROBLEMS (in millions of dollars)

	1969	1970	1971
Disease prevention and control.....	411	489	504
Environmental control.....	186	134	163
Consumer protection.....	154	181	199
Total.....	651	804	866

¹ Does not include environmental research shown under "Health Research" (1969—\$87, 1970—\$112, 1971—\$135).

Disease prevention.—The movement from categorical disease programs toward comprehensive health care is accentuated in this year's budget with the major thrust being made in the various health center programs which are described under Special Impact programs.

While the emphasis is shifting from categorical to comprehensive programs, critical disease areas will continue to receive concentrated efforts. Through the Regional Medical program, education and training programs will be sponsored to increase public awareness of the relationship between nutrition and health, the adverse effects of smoking on health, and the methods available to treat kidney diseases ranging from transplantation to utilization of artificial kidney machines.

In 1963-64 an estimated 20,000 to 30,000 children with birth defects were born to mothers who had contracted rubella (German measles) during pregnancy. With the licensing of a new vaccine in June 1969, a joint Federal-State-private effort was launched to inoculate 55 million children age 1 through 14. With the \$16 million requested in the 1971 budget, almost \$42 million will have been allocated to immunize children in low-income families and to motivate other families to obtain the vaccine through their private physicians.

Disease surveillance conducted by the National Communicable Disease Center (NCDC) provides a national alarm system to isolate outbreaks of contagious diseases. All cases of 36 different diseases are reported weekly to the center in Atlanta by State health departments. State surveillance is supported, in part, by grants from the Partnership for Health program. Followup support such as vaccine and epidemiologic personnel is often furnished by the NCDC.

In order to improve the health status of many of the remote communities in its region, the Appalachian Regional Commission has allocated over \$17 million of its 1971 budget to develop health care programs to reduce disease and improve the environment. Almost half of this sum will be used for mental health programs.

Through three programs, the United States has maintained its commitment to improve the health care and health conditions of other Nations. The Peace Corps has enlisted the voluntary services

of doctors, nurses, and others with medical knowledge, to aid underdeveloped nations develop a health care capability. Over half of the \$12 million spent by the program is for training and treatment in areas of nutritional deficiencies, communicable disease control and eradication, sanitation, education of indigenous populations, and development of demographic surveys.

In cooperation with other international health organizations such as WHO and the Pan American Health Organization, the Agency for International Development (AID), supplies technical assistance and financial support to less developed countries for family planning, disease control and eradication, environmental health, nutrition and research. The State Department also provides grants for these purposes to WHO and PAHO, both of which train health workers and award fellowships for study in certain selected fields aimed at improving health care and services. In 1971 outlays by AID and the Department of State for disease control purposes will be \$138.3 million.

Environmental control.—Reflecting the growing awareness of the impact of environmental factors on health, outlays for environmental health in 1971 including environmental research, will total \$298 million, a 73% increase over 1969. These outlays provide for research and control efforts in such areas as air pollution, solid wastes, radiation hazards, occupational safety and health, public water supplies, environmental sanitation, and noise control.

Outlays for the control of air pollution in 1971 will total \$104 million, a 31% increase over 1970. Special emphasis will be placed on the development of technology to control the wastes, and on the strengthening of institutional arrangements for enforcement and control.

In 1971 56% of the national air pollution budget will be obligated for research on control technology. As table K-10 demonstrates, controls already required by the Federal Government will reduce carbon monoxide emissions by 1980 to half the 1967 level and hydrocarbon emissions to one-third. However, unless new control technology is developed, these emissions will rise again because of the growing number of vehicles. Research on vehicle emission control will be increased in 1971 in cooperation with private industry.

Table K-10. VEHICLE EMISSION CONTROL ¹ (in millions of tons per year)

	1967	1968	1969	1970	1971	1975	1980	1985	1990
Vehicle emissions prevented by control devices:									
Hydrocarbons.....	(2)	1	2	4	5	11	17	21	25
Carbon monoxide.....	(2)	4	9	15	20	42	66	82	99
Vehicle emissions released to the atmosphere:									
Hydrocarbons.....	16	15	14	13	12	8	5	6	7
Carbon monoxide.....	61	59	57	53	50	39	31	35	42

¹ Data furnished by the National Air Pollution Control Administration, HEW.

² Less than 500 thousand tons.

Efforts to develop feasible control technology for sulfur oxides, nitrogen oxides, and other pollutants from stationary sources will also

be increased in 1971, but the private sector will be asked to provide a substantial portion of the financing for the prototype tests of these control processes.

The strengthening of institutional arrangements for enforcement and control of air pollution will also receive major emphasis in 1971 with increased financial and technical assistance to the States and localities, many of which will be engaged in establishing standards under HEW's guidance. Most of the standard setting will be centered in the 57 Air Quality Control Regions which will have been established by HEW by the end of 1970. These regions contain 53% of the urban population.

State and local expenditures for air pollution control exclusive of Federal funding have increased by 213% since 1965 and are now estimated at about \$30 million. In the past, the State and local air pollution control agencies have had considerable difficulty in obtaining qualified personnel to handle their scientific, technical, and administrative problems. In an effort to help meet this need, HEW will devote special attention to the distribution of trained manpower by concentrating on short-term specialty training programs and recruitment efforts and a new effort to assign Federal personnel to States and communities to work under the supervision of State and local air pollution control agencies.

Accidents from all causes continue to fill half of the Nation's hospital beds. In response to this problem the Departments of Labor, Interior, and HEW will increase their research and enforcement activities to prevent accidents and diseases in the workplace, with special emphasis on coal mining. These accident-related activities are in addition to other safety programs not shown in this analysis including the rail, boat, highway, and traffic safety programs of the Department of Transportation.

The outlays for other environmental health programs will remain at essentially the same level as in 1970. However, HEW will begin review of State solid waste management plans developed as a first step toward improving the 90% of our land disposal sites which do not meet minimum criteria and the 70% of our municipal incinerators which do not have any air pollution controls. In addition, increased emphasis will be placed on the development of productive economic incentives for industry and the consumer to reduce the amount of solid wastes generated.

Consumer protection.—Programs to protect the consumer from illness and injury resulting from hazardous drugs, foods, pesticides, and household products will be expanded in 1971, with outlays totaling \$199 million.

The Department of Agriculture has initiated cooperative programs with the States to assure that all meat and poultry are suitable for human consumption. This program will increase to \$125 million, a rise of 39% over 1969. Other food protection programs, including those of the Food and Drug Administration and the Bureau of Commercial Fisheries, will increase by 17% in 1971, and will emphasize research on the health effects of food additives and pesticides.

New efforts will be directed at associating particular drugs or products (such as toys, appliances, tools, and household cleaners) with reports of adverse effects or accidents in order to provide a sharper focus for the Federal Government's regulatory efforts.

Standards have already been set for radiation from color television sets as part of a new emphasis on preventing exposure of the public to hazardous radiation from electronic products. Standards will be set soon for microwave ovens and other electronic products.

SPECIAL IMPACT PROGRAMS

Several programs have been selected for extended discussion in this section because of their special significance in the 1971 budget. Outlays for these programs are classified in one or more of the major categories in table K-2.

Family planning.—In his Message on Population, July 18, 1969, the President established as a national goal, "the provision of adequate family planning services within the next 5 years to all those who want them but cannot afford them." Funds to meet this objective and to assist other nations will increase from \$125 million in 1970 to \$218 million in 1971. The funds will expand both biomedical and attitudinal research, train health personnel to deliver family planning services, and provide family planning services to over 2.2 million of the 5 million poor women referred to by the President. This compares to 1.6 million served in 1970 and 1.0 million in 1969.

Almost all domestic family planning funds will be spent by HEW and OEO, with obligations rising to \$103.0 million and \$24.0 million in the two agencies, respectively. Of the HEW obligations \$28.3 million will be used by NIH to train research personnel and to further its research efforts in reproductive physiology and improved methods of contraception. With funds totaling about \$61.6 million in 1971 from the Maternal and Child Health program and from new legislative authority, the new National Center for Family Planning Services will undertake increased research in the sociological and attitudinal aspects of family planning and provide family planning services to an estimated 1.6 million low-income women. An additional 2.3 million women will be served by other programs in HEW, notably Medicaid, with obligations for family planning services estimated at \$6.1 million in 1971.

OEO's 1971 funds will enable the agency to reach 0.4 million women, 50,000 more than served by the agency in 1970. Most of the funds will be directed through an estimated 250 Community Action Agencies and other institutions sponsoring family planning programs. A portion of OEO's 1971 outlays will be used to explore innovative ways of providing family planning services to women residing in rural and other areas isolated from easy access to information and physicians' services.

Internationally, the State Department and AID are expected to make about \$90 million available in 1970 compared to a comparable figure of \$51 million in 1970 for international family planning activities, both through contributions to international organizations and in direct aid to 31 foreign governments.

Table K-11. ESTIMATED OBLIGATIONS FOR FAMILY PLANNING SERVICES, RESEARCH, AND TRAINING (in millions of dollars)

	1968	1969	1970	1971
Services ¹ to low income persons (total)	16.0	34.7	57.8	91.7
Health, Education, and Welfare (total)	7.5	20.9	35.8	67.7
National Center for Family Planning Services				43.8
Maternal and Child Health	6.0	18.4	31.8	17.8
Medicaid	1.5	2.5	4.0	6.1
Office of Economic Opportunity	8.5	13.8	22.0	24.0
Research	8.4	20.3	22.8	36.4
National Institutes of Health	7.7	11.4	15.5	28.3
Food and Drug Administration .....	.6	.6	1.1	1.1
Agency for International Development .....	.1	.3	6.2	7.0
International activities (total)	35.2	47.3	44.5	90.2
Agency for International Development	34.6	44.7	41.8	86.0
Department of State .....	.6	2.6	2.7	4.2
Total	59.6	102.3	125.1	218.3

¹ Includes training.

Federally supported health centers.—In recent years comprehensive community based health centers have been established to overcome the problems posed by inadequate health care resources in poor rural and urban areas. While each agency supporting health centers (OEO, Maternal and Child Health Service, NIMH and Partnership for Health) must meet certain specific objectives contained in their authorizing legislation, all are concerned with bringing into low-income areas health resources—clinics, physicians and health workers—that are either nonexistent, in short supply or not readily accessible.

In addition to creating health care resources, the centers seek a comprehensive and personal approach to the delivery of medical care, the utilization of scarce resources in more effective and efficient ways, and the application of modern health technology. Many sponsor training and employment programs for residents of the communities served by the health centers and encourage participation of the poor in the planning and operation of the centers. It is becoming increasingly evident that the care being provided through the centers is having an impact on the health status of the poor. In areas served by maternity and infant care centers of the Maternal and Child Health Service for example, reductions of up to 33% in infant deaths have occurred after the establishment of the center in the area.

In 1971, 517 health centers will be funded wholly or in part with \$289 million in Federal project grants, an increase of 67 centers and \$60 million over 1970. As indicated in table K-12, the majority of the centers are for the treatment of mental illness, mothers, infants and children. The number of comprehensive health centers serving the entire community will also be significantly increased in 1971 by Partnership for Health. Part of the increase derives from the transfer of

a number of centers previously funded by OEO that have reached full operational status. It is estimated that all federally supported centers will serve approximately 1,976 million persons in 1971.

Table K-12. **FEDERALLY FUNDED HEALTH CENTERS**

	1968	1969	1970	1971
Total Federal obligations (millions)-----	146.5	193.7	228.7	288.5
Partnership for Health ¹ -----	4.1	10.4	20.7	32.4
Maternal and Child Health-----	66.4	75.0	76.1	83.1
NIMH-----	43.0	56.0	58.0	83.0
OEO ¹ -----	33.0	52.3	74.0	90.0
Number of centers funded:				
Partnership for Health ¹ -----	8	18	25	35
Maternal and Child Health-----	111	111	112	115
NIMH (operating grants)-----	156	218	258	298
OEO ¹ -----	43	49	49	49
Number of persons served in year (thousands):				
Partnership for Health-----	0	23	137	171
Maternal and Child Health-----	380	532	550	560
NIMH-----	177	300	391	495
OEO-----	135	300	500	750

¹ Some centers will be shifted from OEO to Partnership for Health in 1971.

Narcotic addiction and alcoholism—Emphasis in the 1971 budget has been placed on a four-pronged attack on drug abuse and alcoholism in cooperation with local programs. The major thrust in this attack will be an expansion of specialized narcotic addict treatment clinics. Funds for treatment centers supported by OEO grants and NIMH community assistance projects will rise from \$10 million in 1970 to \$17.6 million in 1971. These funds will continue 31 centers now in operation and add 21 additional centers. Similarly, outlays of \$6 million will support 24 specialized centers to treat alcoholism. In addition, outlays to assist over 1,600 self-committed addicts receiving treatment services in their home area will rise to \$7.7 million from the 1970 level of \$5 million.

Increased public information on drug abuse and alcoholism will also be carried forward by NIMH and the Bureau of Narcotics and Dangerous Drugs. Almost \$4 million has been allocated in 1971 for production of movies, spot radio and television messages, and other educational material.

The third focal point will be the training of personnel as diverse as former drug addicts and educators, law enforcement officers and alcoholics in a wide variety of treatment procedures. This training program will spend \$4.5 million in both 1970 and 1971. In addition, NIMH will increase fellowships for research study in both drug abuse and alcoholism, as well as widen support to institutions providing such training.

Research supported and conducted by NIMH has brought significant breakthroughs both in understanding the effects of drugs and

alcohol on man and in finding chemical processes which can begin to reverse the processes of addiction and alcoholism. More refinements and testing of remission agents will be a key part of the research program supported by a budget of over \$27 million in 1971.

HISTORICAL RÉSUMÉ

Table K-2 classifies Federal health outlays for the years 1969 through 1971. The following table K-13 distributes Federal health outlays by function for the period 1960 through 1968. The data for 1960 are not strictly comparable, representing "funds provided" rather than outlays.

Table K-13. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY CATEGORY (in millions of dollars)

	1960 ¹	1963	1964	1965	1966	1967	1968
Development of health resources, total.....	1,017	1,529	1,806	1,807	1,956	2,430	2,803
Health research.....	510	892	1,069	1,040	1,167	1,364	1,547
Training and education....	217	257	298	317	410	593	687
Construction of hospitals and health facilities.....	290	380	439	450	378	391	470
Improving the organization and delivery of health services ²						82	100
Provision of hospital and medical services, total....	2,165	2,783	2,904	2,936	3,521	7,831	10,764
Direct Federal hospital and medical services.....	1,701	1,877	1,971	2,022	2,199	2,552	2,738
Hospital and medical services, indirect.....	464	906	933	914	1,322	5,279	8,025
Prevention and control of health problems, total.....	326	346	393	418	451	540	565
Total outlays from Federal and trust funds.....	3,508	4,658	5,103	5,161	5,928	10,801	14,132

¹ Report of the Committee on Government Operations, U.S. Senate: "Coordination of Federal Agencies' programs in biomedical research and in other scientific areas, report No. 142, Mar. 30, 1961.

² Not tabulated in 1960-66 as a separate subcategory.

EXPENDITURES FOR HEALTH ACTIVITIES BY AGENCY

The following tables distribute the health-related expenditures of Federal agencies by the categories used in this analysis. Except for HEW and a small part of the Civil Service Commission, the outlays of these agencies are, because of their major purpose, assigned to functions other than Health (650) in Part 4 of the budget document. The tables, therefore, indicate the predominant budget functional code for each agency. Other special analyses such as those on Research and Development, Education, and Manpower also include all Federal outlays in their area. They will thus include, where pertinent, the same outlays which are tabulated in this analysis.

Table K-14. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1969
(in millions of dollars)

	Functional code	Health research	Training and education	Construc- tion	Organiza- tion and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Preven- tion and control of health problems	Total
Department of Health, Education, and Welfare.....		1,109.5	554.3	322.7	116.0	120.8	9,217.0	379.9	11,820.3
Health Services and Mental Health Administration.....	650	126.5	135.7	316.3	100.3	120.5	220.4	267.1	1,286.9
National Institute of Health.....	650	895.6	400.4	5.6	15.6			5.4	1,322.6
Consumer Protection and Environmental Health Service.....	650	58.4	10.1					105.7	174.2
Social Security Administration.....	650						6,597.7		6,597.7
Social and Rehabilitation Service.....	650/700	29.0	8.1	.8		.3	2,387.8	1.8	2,427.8
Other.....			6.0	.1			8.1		14.3
Department of Defense.....	051	83.8	119.9	71.8		1,395.6	213.1	20.8	1,905.1
Veterans Administration.....	800	52.2	77.5	45.7	20.9	1,310.3	65.1		1,571.6
Department of Housing and Urban Development.....	550			118.4	.8				119.2
Department of Agriculture.....	350	40.1						133.2	173.4
Agency for International Development.....	150	2.6	11.1	13.1	28.5			65.9	121.2
Office of Economic Opportunity.....	550						126.0		126.0
National Aeronautics and Space Administration.....	250	110.4		.2					110.6
Atomic Energy Commission.....	058	94.3	.7						95.0
Civil Service Commission.....	906						40.7		40.7
Department of Labor.....	604	.3	28.1			1.4	14.9	2.6	47.3
Department of State.....	150		2.8			.1	.3	21.8	25.0
National Science Foundation.....	605	23.4	3.8						27.2
Department of Commerce.....	500	3.1		5.3					8.4
Other agencies.....		8.1	1.2	34.7		32.0	1.4	27.2	104.6
Agency contributions to employee health funds.....							246.6		246.6
Total outlays for health, 1969.....		1,527.7	805.5	612.0	166.1	2,860.3	9,933.2	651.5	16,556.4

Table K-15. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1970
(in millions of dollars)

	Functional code	Health research	Training and education	Construc- tion	Organiza- tion and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Preven- tion and control of health problems	Total
Department of Health, Education, and Welfare.....		1,160.9	672.9	358.2	155.5	131.9	10,557.7	439.8	13,477.0
Health Services and Mental Health Administration.....	650	132.4	166.9	345.5	137.3	131.5	252.2	291.1	1,456.9
National Institute of Health.....	650	916.8	484.9	9.8	18.2			7.8	1,437.5
Consumer Protection and Environmental Health Service.....	650	81.8	10.9					124.4	217.1
Social Security Administration.....	650						7,537.8		7,537.8
Social and Rehabilitation Service.....	650/700	29.9	10.2	3.0		.3	2,753.0	16.4	2,812.9
Other.....			6.5	.9			7.9		15.4
Department of Defense.....	051	80.3	130.5	52.1		1,515.4	232.0	22.3	2,032.6
Veterans Administration.....	800	62.9	92.2	73.6	25.2	1,463.6	77.7		1,795.2
Department of Housing and Urban Development.....	550			150.9	3.0				154.0
Department of Agriculture.....	350	43.2						163.6	206.8
Agency for International Development.....	150	8.6	11.5	12.5	35.6			108.1	176.3
Office of Economic Opportunity.....	550				1.0		147.9		148.9
National Aeronautics and Space Administration.....	250	115.2		.3					115.5
Atomic Energy Commission.....	058	101.1	.6						101.7
Civil Service Commission.....	906						41.2		41.2
Department of Labor.....	604	.3	28.1			1.5	18.5	3.3	51.7
Department of State.....	150		3.0			.2	.3	25.0	28.4
National Science Foundation.....	605	26.3	3.4						29.7
Department of Commerce.....	500	3.5		4.8					8.3
Other agencies.....		19.3	2.3	51.8		34.7	3.6	41.5	153.4
Agency contributions to employee health funds.....							251.7		251.7
Total outlays for health, 1970.....		1,621.7	951.0	705.1	220.4	3,147.3	11,338.6	803.5	18,787.6

Table K-16. **FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1971**
(in millions of dollars)

	Functional code	Health research	Training and education	Construc- tion	Organiza- tion and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Preven- tion and control of health problems	Total
Department of Health, Education, and Welfare.....		1,193.0	748.3	347.1	173.1	140.1	12,145.8	464.8	15,212.1
Health Services and Mental Health Administration.....	650	135.9	170.8	334.0	154.9	139.7	317.7	292.7	1,545.7
National Institute of Health.....	650	929.3	554.2	3.7	18.2			8.0	1,513.4
Consumer Protection and Environmental Health Service.....	650	97.3	13.4					143.1	253.8
Social Security Administration.....	650						8,774.4		8,774.4
Social and Rehabilitation Service.....	650/700	30.5	9.8	9.3		.4	3,034.3	20.9	3,105.3
Other.....			7.7	10.1			9.5		27.4
Department of Defense.....	051	84.2	128.7	62.2		1,463.7	238.0	20.7	1,997.6
Veterans Administration.....	800	63.0	99.4	54.2	25.6	1,473.5	88.1		1,803.8
Department of Housing and Urban Development.....	550			178.7	2.6				181.3
Department of Agriculture.....	350	44.4						175.0	219.4
Agency for International Development.....	150	9.6	6.7	6.8	22.1			110.2	155.4
Office of Economic Opportunity.....	550				12.0		165.9		177.9
National Aeronautics and Space Administration.....	250	111.8							111.8
Atomic Energy Commission.....	058	94.2	.4						94.6
Civil Service Commission.....	906						46.5		46.5
Department of Labor.....	604	.3	31.5			1.7	21.0	3.6	58.1
Department of State.....	150		2.8			.2	.3	28.1	31.4
National Science Foundation.....	605	25.8	3.0						28.8
Department of Commerce.....	500	3.9		3.7					7.6
Other agencies.....		29.8	4.2	48.8		36.5	7.6	64.5	191.4
Agency contributions to employee health funds.....							256.9		256.9
Total outlays for health, 1971.....		1,660.0	1,032.8	711.6	235.5	3,115.7	12,979.5	866.9	20,602.0

SPECIAL ANALYSIS L

FEDERAL INCOME SECURITY PROGRAMS

Overview.—The Federal Government plays a major role in providing income security for individuals and families. Income security is extended through transfer payments. Payments may be made in cash or “in kind.”

This analysis groups cash benefit programs according to the basis for benefit determination. The three program classifications are: *income replacement programs* such as social security and unemployment insurance, which relate benefits to wage histories; *income support programs* like public assistance, which make payments based on need; and *income compensation programs* which base benefits on some other measure of impairment to earning capacity (disability compensation for veterans is the largest program in this third group). Programs providing assistance in kind are classified by the type of benefit provided. The three groups of in-kind benefit programs are *health care programs* (Medicare and Medicaid), *food and nutrition programs* such as the food stamp program, and *housing programs* (public housing and rent supplements). Following the discussion of cash and in-kind benefit programs, a summary of *Federal aid to the poor* is presented.

Federal budget outlays for programs included in this analysis will total \$71.6 billion in 1971. This amount is 36% of total budget outlays, and 54% of nondefense spending. Income security outlays constitute 97% of Federal domestic transfer payments and 35% of Federal aid to State and local governments in the national income accounts. Trust funds account for 70% of Federal income security payments.

Cash payments make up 80% of total payments in 1971 (social security payments alone are 47% of the total). The largest in-kind benefit program is Medicare, with 1971 outlays of \$8.8 billion. Table L-1 summarizes the outlays for these programs, with subtotals for cash and in-kind benefit programs. A detailed listing for each program, by agency, is provided in table L-16.

Table L-1. FEDERAL OUTLAYS FOR INCOME SECURITY PROGRAMS

	1969 actual	1970 estimate	1971 estimate
Federal outlays for cash benefits (millions):			
Social security (OASDI).....	\$26, 175	\$29, 154	\$32, 897
Federal employee benefits.....	4, 938	5, 800	6, 557
Veterans benefits.....	5, 285	5, 679	5, 846
Public assistance.....	3, 370	4, 081	4, 647
Unemployment trust fund.....	2, 158	2, 713	3, 046
Railroad retirement.....	1, 533	1, 620	1, 695
Other programs.....	49	88	239
Proposed legislation.....		44	552
Subtotal, outlays, cash benefits.....	43, 508	49, 179	55, 479
Federal outlays for in kind benefits (millions):			
Food and nutrition.....	1, 150	1, 530	2, 201
Health care.....	8, 481	9, 711	11, 377
Housing.....	344	476	663
Proposed legislation.....			-215
Subtotal, outlays, in kind benefits.....	9, 975	11, 717	14, 026
Total, benefit outlays.....	53, 483	60, 896	69, 505
Federal outlays for administration.....	1, 668	1, 920	2, 081
Total, outlays, income security.....	55, 151	62, 816	71, 586

Historical perspective.—Although there are substantial income security expenditures from private and from State and local sources, Federal outlays constitute an increasing portion of these payments. Total cash benefits have risen from \$1.1 billion in 1929 to \$58.2 billion in 1967, with the Federal Government accounting for almost 70% in recent years. Private income security expenditures are mostly for employee pension plans which, together with social security and public employee retirement systems, constitute the primary source of income for most of our elderly citizens. In addition to employee retirement, State and local governments help finance two other major types of income security payments: workmen's compensation for those disabled by work-related injuries; and the non-Federal share of public assistance payments to the poor. Table L-2 illustrates the distribution of income security expenditures by source.¹

¹ The data in tables L-2 and L-3 are compiled from publications of the Social Security Administration and are not exactly comparable with the budget data in the other tables.

Table L-2. INCOME SECURITY EXPENDITURES FOR CASH BENEFITS BY SOURCE OF FUNDS, FOR SELECTED FISCAL YEARS

	Cash benefits (in billions)			
	1929	1950	1960	1967
Income replacement programs:				
Federal.....	\$0.1	\$2.1	\$14.3	\$30.7
State and local.....	0.3	2.8	5.0	6.7
Private.....	NA	1.0	3.6	7.2
Income support programs:				
Federal.....	(¹)	1.5	2.2	4.3
State and local.....	0.1	1.9	2.1	3.7
Private.....	NA	NA	NA	0.5
Income compensation programs:				
Federal.....	0.6	2.6	3.9	5.1
State and local.....				
Private.....				
Cash benefits, total:				
Federal.....	0.7	6.2	20.4	40.1
State and local.....	0.4	4.7	7.1	10.4
Private.....	NA	² 1.0	² 3.6	7.7

¹ Less than \$50 million.² Does not include private expenditures for income support.

NA = Not available.

Total income security expenditures have grown as a percentage of gross national product (GNP) from 5% in 1950 to 8% in 1967. Similarly, the Federal portion of the total has displayed impressive growth, rising from 2% of GNP in 1950 to 5% in 1967.

Table L-3. INCOME SECURITY EXPENDITURES FOR CASH BENEFITS AS A PROPORTION OF GROSS NATIONAL PRODUCT, FOR SELECTED FISCAL YEARS

	1929	1950	1960	1967
Gross national product (billions).....	\$101.0	\$263.3	\$495.2	\$768.8
Income security expenditures (cash benefits):				
Total (billions).....	¹ \$1.1	² \$11.9	² \$31.1	\$58.2
As percent of GNP.....	1	5	6	8
Federal (billions).....	\$0.7	\$6.2	\$20.4	\$40.1
As percent of GNP.....	1	2	4	5

¹ Does not include any private expenditures.² Does not include private expenditures for income support.

Proposals for reform.—Income security programs are continually evolving through both legislation and administrative regulation as problems with existing program structures are identified. The most common adjustments deal with: the inadequacy of benefits; inequities in benefits among different beneficiary groups and in the financing burden among different taxpayer groups; definitions of benefit entitlement; and effects on individual behavior and incentives. The following two sections discuss proposed legislation and the more important steps taken in the past year to meet these recurring problems.

In the past year, income security programs have become a high priority area for basic system reform, and several Administration proposals are now under consideration by the Congress. Estimated 1971 outlays for these proposals total almost \$1 billion, and the costs for the first full year of effect are expected to be \$6.4 billion (see table L-4).

The most important legislative proposal before the Congress is the *family assistance program* (FAP). This proposal would replace the outmoded Federal-State program of aid to families with dependent children (AFDC) with a new Federal income maintenance program for all poor families with children, thereby aiding the working poor for the first time.

Table L-4. REFORM PROPOSALS FOR INCOME SECURITY PROGRAMS
(in millions of dollars)

Proposal	Additional outlays over existing program		
	1970	1971	First full year
Family Assistance legislation.....		+500	+4,400
Food stamps ¹		+674	² +825
Social security.....			+1,300
Railroad retirement.....	+44	+104	+104
Unemployment insurance.....		+8	+170
VA compensation and pensions.....		-52	-52
Medicaid.....		-215	-300
Special milk ¹		-64	-81
Total.....	+44	+955	+6,366

¹ These proposals are a part of authorizing legislation and are not carried in the "proposed legislation" entries in other tables.

² This estimate assumes enactment of FAP; in the absence of FAP, the food stamp proposal would cost \$1.9 billion in the first full year.

Under FAP, a family of four with no other income would receive \$1,600 a year. The basic allowance would be reduced by 50% of annual earnings in excess of \$720, and by 50% of all nonearned income.² Total income increases with earnings; thus a strong work incentive is provided. An eligible recipient is entitled to keep the first \$720 of annual earnings and to retain 50% of his earnings thereafter. For an AFDC-eligible family entitled to higher benefits under the existing AFDC program, the FAP payment would be supplemented by the State so that no family's income would decline. To maintain work incentives and to decrease the long-run need for income supplementation, able-bodied male heads of families receiving FAP benefits, and female heads with no pre-school-age children, would be required to register with State employment agencies. Additional training and day care would be provided for those needing these services.

The family assistance legislation also proposes an improvement in adult public assistance programs by setting a national minimum income standard for recipients. Payments under old age assistance

² The benefit is reduced dollar for dollar for income from VA pensions and farm subsidies; welfare income is completely disregarded.

(OAA), aid to the blind (AB), and aid to the permanently and totally disabled (APTD) would guarantee recipients a total income of at least \$90 per person per month. The legislation also calls for the modification of the more restrictive eligibility provisions of current welfare programs for these categories.

To reduce the fast-rising burden of welfare spending on State and local governments, the family assistance proposal would replace present Federal-State matching formulas with a more generous formula for Federal reimbursement of State payments under OAA, AB, and APTD. The proposal also guarantees that no State would have to spend at a rate higher than 90% of its existing program level. Thus, every State would save at least 10% of its anticipated welfare outlays. This relief is expected to total about \$500 million in the first full year of operation.

Closely related to FAP is the Administration's expanded and revised *food stamp program*. Major modifications are being made administratively in 1970 to meet the needs of the poor more fully. The Administration's legislative proposal, still pending in Congress, will permit further improvements in 1971.

Taken together, FAP and the improved food stamp program would provide significantly improved benefit levels for many poor families. A family of four with no other income would receive a total of \$2,464 annually—\$1,600 in cash from FAP, and \$864 in the form of the food stamp bonus (\$1,272 in stamps less a purchase price of \$408). Table L-5 shows the impact of Administration proposals on family income for a male-headed family living in one of the 26 States that does not have an AFDC program for unemployed fathers.

Table L-5. IMPACT OF FAMILY ASSISTANCE AND FOOD STAMP PROPOSALS ON FAMILY INCOME¹

Earnings	Existing benefits		Proposed benefits		Increase in total income
	Public assistance ²	Food stamp bonus ³	Family assistance	Food stamp bonus	
\$0	\$0	\$696	\$1,600	\$864	\$1,768
720	0	480	1,600	624	1,744
1,500	0	384	1,210	480	1,306
3,000	0	288	460	408	580
4,000	0	288	0	312	24

¹ Data are on an annual basis for a male-headed family of four.

² For a State with no AFDC program for unemployed fathers.

³ This schedule is now being replaced with one very similar to the proposed benefit schedule.

Legislation has been proposed which will extend *unemployment insurance* coverage to an additional 5.3 million workers, including many low-wage workers greatly in need of protection. Workers with marginal skills will be encouraged to undertake retraining to reduce their vulnerability to unemployment. Abuses that have permitted unwarranted benefits to be collected will be remedied. The economic stabilization effects of unemployment insurance will be increased by automatically extending benefits for up to 13 additional weeks during times of high unemployment. Finally, the financing of the system will be strengthened by increasing the taxable wage base from \$3,000 to

\$6,000 over a period of 5 years. This change will increase revenues and make financing more equitable.

Additional *social security legislation* has been proposed to improve equity under the system. One proposal calls for an increase in the annual amount of earnings that would be exempt under the retirement test from \$1,680 to \$1,800 to reflect the increase in average wages since the last adjustment. In addition, benefits would be reduced by \$1 for every \$2 of earnings in excess of \$1,800. The current dollar-for-dollar offset of earnings over \$2,880 against benefits would be eliminated. Other changes would reduce the benefit computation point from age 65 to age 62 for men (as it is now for women), and increase the widow's benefit from 82½% to 100% of the husband's primary benefit. This legislation will be effective in 1972.

To help finance improvements in income security programs, there must be a continuing effort to *discontinue obsolete or duplicative programs*. Examples in this budget include proposed legislation to discontinue payment of veterans compensation for cases of arrested tuberculosis and to include railroad retirement income in computing certain VA pension benefits. It is also proposed that the Department of Agriculture terminate the special milk program at the end of the 1970 school year as other food programs which more directly benefit the poor are expanded. These proposals, coupled with legislation placing new restrictions on Federal reimbursement for long-term care under Medicaid, will reduce income security outlays by \$331 million in 1971.

Recent program developments.—The recently enacted Tax Reform Act of 1969 includes provisions improving *social security* benefits. Effective January 1, 1970, old age and survivors and disability insurance (OASDI) benefits were increased by 15%, more than offsetting the erosion in real benefits due to inflation since the last benefit increase (effective February 1968). This benefit increase will result in payment increases of \$1.7 billion in 1970 and \$4.3 billion in 1971.

The maintenance payments made by the Federal-State *public assistance programs* to the needy who are aged, blind, disabled, or in families with dependent children were substantially altered in 1969 by the implementation of the 1967 amendments to the Social Security Act. The most important changes associated with these amendments were designed to improve work incentives for family heads in the AFDC program. The dollar-for-dollar offset of earnings against benefits (the 100% tax rate³ on earnings often associated with public assistance) was replaced by a system that disregards earnings of \$30 a month and one-third of any earnings in excess of \$30 for benefit determination. This change lowers the marginal tax rate for AFDC from 100% to 66⅔%. This increased inducement to earn was coupled with the work incentive program, which provides training, day care, and other supportive services to AFDC recipients to assist them toward economic independence.

Other important changes, dealing primarily with public assistance eligibility, have been brought about by court decisions and new Federal regulations. For example, the courts have eliminated State residency

³ The "tax rate," as used in this Analysis, refers to the proportion of beneficiary income that an income security program takes as an offset against the program benefit. For example, a dollar-for-dollar offset of earnings against the benefit constitutes a "100% tax rate" on earnings. In this case, if a family with a monthly benefit of \$100 experienced an increase in earnings of \$25, the benefit would be reduced to \$75. If the program disregards all income in computing benefits, the "tax rate" is 0%.

requirements as eligibility criteria. At the direction of the Department of Health, Education, and Welfare, States are now experimenting with an affidavit form of income determination, which may replace the case-by-case, detailed investigation method.

Recent legislation increased benefits paid to the survivors of veterans with service-connected disabilities (*dependency and indemnity compensation*), effective December 1, 1969. Under the new law, the minimum monthly payment to a widow and two children will rise from \$161 to \$210, a 30% increase.

Two automatic cost-of-living benefit increases of 4.0% and 4.3% were granted by the *military retirement* program during calendar 1969. The automatic increases for *civil service retirees* during the year were 3.9% and 4.0%.

In enacting the Civil Service Retirement Amendments of 1969, the Congress provided an extra 1% cost-of-living increase to reduce the time lag in the automatic adjustment procedure,⁴ gave retirement credit for unused sick leave, and improved survivors' benefits. The most significant change, however, altered the salary base for civil service retirement benefit computation from the average for the highest 5 years to the highest 3 years.⁵ Outlays for these added benefits are estimated to be \$63 million for 1970 and \$156 million for 1971. These costs will be financed primarily by raising both the employer and employee contributions to the civil service retirement trust fund from 6½% to 7% of basic pay.

The President recently signed the *Federal Coal Mine Health and Safety Act*, a measure aimed at reducing the incidence of pneumoconiosis (black lung disease) among coal miners and the extent of suffering for its victims. One provision calls for Federal compensation to black lung victims in monthly amounts ranging from \$136 to \$272. This new compensation program, effective December 1969, will cost \$20 million in 1970 and \$150 million in 1971.

Faced with the task of improving and reforming income security programs, public policymakers and the research community have recognized the need for testing program proposals. Thus, several scientifically designed *income maintenance experiments* have been undertaken. The first such experiment, a test of a "negative income tax" among poor families headed by male adults in New Jersey, was launched by the Office of Economic Opportunity in 1968. It is designed to test the recipients' behavioral responses to receipt of a need-tested income supplement in terms of work effort, consumption patterns, family stability, and other variables. Since then, other experiments have been started or planned by OEO and the Department of Health, Education, and Welfare to test these and other critical elements of program design and methods for implementing family assistance. Outlays for these projects will total \$18 million in 1971.

Cash benefit programs.—For the purposes of this Analysis, Federal income security programs are organized by method of payment and program goal. There are two methods of payment:

⁴ Legislation has been enacted which will add an extra 1% to automatic cost-of-living adjustments in military retirement pay as well.

⁵ A similar change in benefit computation for foreign service retirement is now under consideration by the Congress.

- (1) benefits can be paid in cash without any restrictions on use; or
- (2) payments can be made in kind, or in cash but only for the consumption of specific items.

Thus, programs can offer either unrestricted or restricted assistance.

In general, cash benefit programs attempt to provide beneficiaries some assured level of living. It is important to distinguish maintenance levels related to: (1) a former earnings level (*income replacement*); (2) a minimum income level (*income support*); or (3) some other measure, such as a presumed future earning capacity (*income compensation*).

Table L-6. CASH BENEFIT PROGRAMS: BENEFIT OUTLAYS AND BENEFICIARIES FOR INCOME REPLACEMENT PROGRAMS

	Benefit outlays (millions)			Number of beneficiaries (thousands)		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Cash benefit programs (income replacement):						
Social security:						
OASI.....	\$23,732	\$26,356	\$29,706	22,227	22,846	23,457
DI.....	2,443	2,798	3,191	2,335	2,487	2,637
Federal employee retirement systems:						
Military.....	2,444	2,857	3,193	692	753	825
Civil service.....	2,192	2,554	2,933	891	939	989
Coast Guard.....	53	60	64	14	14	15
Foreign service.....	13	16	18	2	2	2
PHS officers.....	7	9	11	1	1	1
Judiciary.....	5	6	6	*	*	*
ESSA officers.....	1	1	1	*	*	*
Special annuities (CSC).....	1	1	1	1	1	1
Federal employees compensation.....	95	111	130	23	23	23
Veterans benefits.....	2	2	2	1	1	1
Unemployment insurance.....	2,285	2,899	3,247	936	1,192	1,277
Railroad retirement.....	1,533	1,620	1,695	978	986	990
Proposed legislation.....		44	104			
Total, cash benefits for income replacement.....	34,806	39,334	44,302			

*Less than 500.

Income replacement.—The largest proportion of Federal income security benefits are paid through income replacement programs (about 64% of total outlays in 1971). These benefits are designed as a partial replacement of income lost due to retirement, disability, unemployment, or death of a breadwinner. Eligibility is generally dependent upon work force attachment. Benefit amounts are usually related to prior earnings.

Retirement benefits.—The bulk of income replacement payments are made to retirees (see table L-7). Federal programs for retirement include the nearly universal protection offered to workers by old age and survivors insurance (OASI) under social security, a fed-

erally administered retirement system for the railroad industry, and several retirement systems for Federal employees. With the exception of the systems for the uniformed services (the Armed Services, the Coast Guard, and the commissioned officers of the Public Health Service and the Environmental Science Services Administration) and some very small programs, all retirement systems are financed primarily by employer/employee payroll taxes, although specific statutes do require some contributions from general revenues.

The largest of these systems is the old age and survivors insurance system which now protects more than 87 million workers in covered employment. OASI will pay benefits of \$21.8 billion to 17 million retirees and their dependents in 1971. The system is funded by payroll taxes levied equally upon employees and employers as a percentage of wages up to the maximum taxable wage of the individual (presently \$7,800 a year).

Benefit amounts are computed on the basis of the average earnings received over the individual's lifetime work history. However, in order to mitigate the adverse effect of lower wages in the early years of the individual's work history, retirees may begin their work history in 1950 and, in addition, may drop from the calculation the 5 years of lowest earnings. The benefit in 1971 for the average retiree will amount to roughly 35% of his average covered wage. A minimum benefit of \$64 a month has been established to provide a higher retirement income for the worker with low wages or a short period of covered employment.

Table L-7. CASH BENEFIT PROGRAMS FOR INCOME REPLACEMENT: RETIREMENT BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENTS BY PROGRAM

	Benefit outlays (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
Retirement benefits:									
Social security (OASI).....	\$17,318	\$19,280	\$21,757	16,264	16,609	16,972	\$89	\$97	\$107
Federal employee re- tirement sys- tems:									
Military.....	2,006	2,354	2,635	555	604	660	301	325	333
Civil service.....	1,439	1,679	1,929	443	467	491	271	300	327
Coast Guard.....	49	56	60	12	12	13	348	377	388
Foreign service.....	10	12	14	1	2	2	581	630	660
PHS officers.....	6	8	10	1	1	1	643	727	798
Judiciary.....	4	5	5	*	*	*	3,380	3,460	3,470
ESSA officers.....	1	1	1	*	*	*	462	470	505
Special annuities (CSC).....	1	1	1	1	1	1	70	74	76
Railroad retirement..	1,067	1,120	1,164	611	615	616	146	152	157
Veterans benefits.....	2	2	2	1	1	1	129	132	133
Proposed legislation..		31	83						
Total retirement benefits.....	21,903	24,549	27,661						

*Less than 500.

The railroad retirement system combines social security with a supplementary staff pension system. Benefits are related to wages but, unlike social security, the computation formula includes a factor for length of service. The railroad retirement payroll tax rate may be increased independently, but any social security tax rate increase automatically increases the railroad retirement rate by the same amount. There is a statutory guarantee that a railroad retirement benefit will be at least 10% higher than what the benefit would be if it were computed under the social security formula. Adjustments between the funds are made each year to put the social security system in the same financial position in which it would have been if railroad employment had been covered by the Social Security Act. The transfer of funds takes into account both benefits paid and taxes collected by the railroad retirement system.

The railroad retirement system has now reached maturity. The number of beneficiaries, 616,000 in 1971, will remain at this level for several years and then gradually decline. The number of employees covered under the system, 830,000 in 1971, will continue to decline as technology reduces the need for manpower in the industry.

Retired Federal employees eligible for benefits will number 1.7 million in 1971 (99% are retired civil servants or military personnel). Payments, reaching \$4.7 billion in 1971, are growing at an annual rate of 16%, reflecting beneficiary growth, Federal pay raises, the automatic cost-of-living increases provided for the two largest programs, and the benefit increases provided by the Civil Service Retirement Amendments of 1969 (see page 178).

Disability benefits.—Most of the retirement systems discussed above protect covered employees against income loss due to permanent disability. In addition, Federal employees are entitled to compensation for work-related injuries, and railroad employees are entitled to benefits for temporary disabilities. Disabled military personnel may choose between military disability pay and veterans disability compensation. (Workmen's compensation programs for non-Federal employees, which provide most of the compensation for short-term disabilities, are State programs and have no impact on the Federal budget.)

Table L-8. CASH BENEFIT PROGRAMS FOR INCOME REPLACEMENT: DISABILITY BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENTS BY PROGRAM

	Benefit outlays (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
Disability benefits:									
Social security (DI).....	\$2, 443	\$2, 798	\$3, 191	2, 335	2, 487	2, 637	\$87	\$94	\$101
Federal employee re- tirement sys- tems:									
Military.....	429	492	546	129	141	157	277	291	290
Civil service.....	422	493	566	178	187	197	198	220	239
Coast Guard.....	3	4	4	2	2	2	169	184	189
Foreign service.....	1	1	1	*	*	*	582	633	651
PHS officers.....	1	1	1	*	*	*	555	567	578
ESSA officers.....	†	†	†	*	*	*	460	462	503
Railroad retirement (permanent dis- ability).....	80	82	84	38	37	36	175	185	193
Federal employees compensation.....	62	72	90	13	13	13	397	462	577
Railroad unemploy- ment (temporary disability).....	56	50	52	25	23	23	186	181	188
Proposed legislation.....		3	6						
Total disability benefits.....	3, 497	3, 996	4, 541						

† Less than \$500 thousand.

* Less than 500.

Disability insurance (DI), under social security, is the largest income security program for the disabled. Beneficiaries will total 2.6 million in 1971, and payments are expected to be \$3.2 billion. To qualify for DI, a worker must be totally and permanently disabled; i.e., unable to engage in any substantial gainful activity for a period expected to last a year or more. He must also meet specific coverage and insurance requisites set forth in the law. Under these circumstances, his benefit is computed as if he were eligible for old age retirement without having reached age 65. Since his average lifetime work history is of a shorter duration than a retiree's, his benefit will not be depressed by periods of lower wage bases and lower wage levels; consequently, the disability payment for the primary beneficiary averages somewhat higher than the regular retirement payment.

Permanently disabled railroad employees under age 65 will number 36,000 in 1971. An employee in the railroad industry may receive a retirement annuity if he is less than 60 years of age, has 20 years of service, and is permanently disabled for work in his regular occupation. He may receive a disability pension at any age if he is permanently disabled for any regular employment. The disability benefit follows the same formula as the regular retirement benefit, which includes a length of service factor; consequently, the disability benefit will be less than that for retirement. Disability beneficiaries over age 65 are included with retirees in table L-7.

The total number of disabled workers benefiting from the systems for Federal employees will grow to 365,000. Average benefits are generally lower than those for the corresponding retiree groups.

Survivor benefits.—Federal retirement and disability systems also provide survivors' benefits to protect the families of beneficiaries and covered workers. Out of a total of \$8.9 billion for survivors' benefits in 1971, \$7.9 billion will be paid under OASI. Another \$486 million will be paid to the families of deceased Federal employees, and the remainder will go to survivors of railroad retirement beneficiaries.

Table L-9. CASH BENEFIT PROGRAMS FOR INCOME REPLACEMENT: SURVIVOR BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENTS BY PROGRAM

	Benefit outlays (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
Survivor benefits:									
Social security (OASI).....	\$6,415	\$7,076	\$7,949	5,963	6,237	6,485	\$90	\$95	\$102
Railroad retirement.....	386	418	447	329	334	338	98	104	110
Federal employee retirement sys- tems:									
Military.....	9	10	12	7	8	9	110	113	115
Civil service.....	330	382	438	271	285	300	101	112	122
Coast Guard.....	†	†	†	*	*	*	100	100	100
Foreign service.....	3	3	3	*	*	*	583	630	660
PHS officers.....	†	†	†	*	*	*	208	208	212
Judicial survivors trust fund.....	1	1	1	*	*	*	364	344	361
ESSA officers.....	†	†	†	*	*	*	119	137	155
Special annuities (CSC).....	1	1	1	*	*	*	113	115	119
Federal employees compensation.....	34	39	40	10	10	10	283	325	333
Proposed legislation.....	-----	10	15	-----	-----	-----	-----	-----	-----
Total survivor benefits.....	7,179	7,940	8,906	-----	-----	-----	-----	-----	-----

† Less than \$500 thousand.

* Less than 500.

Survivor benefits add to the cost of retirement systems by extending the period of benefit payment beyond the death of the worker. Since survivor benefits can begin before the worker would have actually retired, this extension can be considerable. Consequently, most systems pay lower rates for survivors than for retirees, not only on the assumption that living costs for the family will be lower without the deceased member of the family, but also because of the costs of providing such coverage.

The social security system pays benefits to about 2.6 million wives of living retirees and 3.5 million widows and widowers. Social security pays a widow 82½% of the retiree's benefit. Proposed legislation would increase this ratio to 100%.

Other Federal retirement systems vary with regard to the amount paid to widows. The civil service system pays the widow 55% of the employee's base annuity, although the retiree must reduce his own annuity in order to provide for survivor benefits. On the other hand, unlike social security, the widow does not have to reach any specific age in order to be eligible for benefits.

The military retirement system does not provide survivor benefits at all under the regular system. Instead, a "contingency option" plan is provided by which a member of any of the uniformed services may elect to accept reduced retirement pay during his lifetime. The survivor benefits are financed solely by the elected permanent reductions in retirement pay; there is no Government contribution. However, if the serviceman dies on active duty from service-connected causes, his widow is entitled to survivor benefits under the dependency and indemnity compensation program administered by the Veterans Administration.

Unemployment benefits.—Unemployment benefits will be paid to a total of 5.4 million beneficiaries in 1971, or a weekly average of 1.4 million. Unemployment insurance programs, which are administered by the States, are funded primarily by employer taxes paid into a Federal trust fund with separate State accounts. Trust fund payments are also made to the Railroad Retirement Board for unemployed railroad workers, and payments are made from Federal funds for all State beneficiaries who are Federal employees or ex-servicemen. Average weekly benefits vary by State, from \$27.98 in North Carolina to \$59.55 in Connecticut (for total unemployment, March 1969).

Table L-10. CASH BENEFIT PROGRAMS FOR INCOME REPLACEMENT: UNEMPLOYMENT BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENTS BY PROGRAM

	Benefit outlays (millions)			Number of beneficiaries (thousands)			Average weekly payments		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
Unemployment benefits:									
Workers insured under State laws.....	\$2,061	\$2,620	\$2,952	895	1,153	1,238	\$44	\$46	\$48
Unemployment compensation for Federal employees and ex-servicemen.....	127	185	200	51	71	71	47	50	54
Railroad unemployment.....	41	43	42	19	18	18	41	46	45
Trade adjustment activities.....	†	1	1	*	*	*	60	77	77
Total unemployment benefits.....	2,229	2,849	3,195	-----	-----	-----	-----	-----	-----

† Less than \$500 thousand.

* Less than 500.

Income support.—Need-related cash benefit programs, offering income support to the poor, are shown in table L-11. These programs base eligibility and benefits primarily on current income. However, no present program provides income supplementation to all the poor. Instead, these programs focus on specific categories of the poor population: the aged, the blind, the disabled, families with children headed by females, and other groups.

The Federal-State *public assistance programs* constitute the largest income support system. States make payments to the poor under OAA, AB, APTD, and AFDC (17 States also have emergency assistance programs, and 24 States have AFDC for unemployed fathers). The total program is now 57% Federal. The average monthly caseload of 8.9 million in 1969 included an estimated 30% of all poor people.

Table L-11. CASH BENEFIT PROGRAMS: BENEFIT OUTLAYS, BENEFICIARIES, AND AVERAGE PAYMENTS FOR INCOME SUPPORT PROGRAMS

	Benefit outlays (millions)			Number of beneficiaries (thousands)			Average monthly payments ¹		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Cash benefit programs (income support):									
Public assistance—maintenance payments (Federal share):									
Old age assistance.....	\$1, 174	\$1, 367	\$1, 457	2, 023	2, 072	2, 094	\$70	\$76	\$78
Aid to the blind.....	52	58	61	80	82	83	91	96	99
Aid to the permanently and totally disabled.....	427	514	576	710	802	864	82	86	91
Aid to families with dependent children.....	1, 714	2, 131	2, 541	6, 076	7, 098	7, 988	42	45	48
Emergency assistance.....	3	11	12	13	39	52	32	47	40
Total, public assistance—maintenance payments: (Federal share).....	3, 370	4, 081	4, 647	8, 902	10, 093	11, 081			
(State and local share).....	(2, 319)	(2, 950)	(3, 463)						
Veterans pensions:									
Veterans.....	1, 307	1, 339	1, 304	2, 018	1, 954	1, 657	54	57	66
Survivors.....	842	911	968	1, 674	1, 745	1, 810	42	44	45
Total, veterans pensions.....	2, 149	2, 250	2, 272	3, 692	3, 699	3, 467			
Assistance to refugees.....	40	52	70	48	61	77	68	71	75
General assistance to Indians.....	9	15	18	22	33	36	35	37	39
Proposed legislation.....			494						
Total cash benefits for income support.....	5, 568	6, 398	7, 501						

¹ Averages are based on total payments, including State and local contributions.

Public assistance programs have four basic shortcomings:

- (1) They fail to cover all the poor;
- (2) Benefits are very low in some States, with average monthly payments below \$20 per AFDC recipient in some cases;
- (3) Until recently, benefits were structured so that work was discouraged, and family stability is still being undermined by the preferred treatment of the female-headed family;
- (4) Indignities are often suffered by recipients due to welfare agencies' efforts to investigate and regulate recipient behavior.

The most rapidly growing assistance category under existing legislation is AFDC. In 1971 a monthly average of 2 million families will be helped; 5% of these will be headed by unemployed fathers. The average monthly benefit per recipient will rise from \$44.80 to \$47.95, partly due to improvements in State payment levels, and in part due to the mandatory earnings disregard effective July 1, 1969.

The adult categories, once larger than AFDC, are now smaller as social security has reduced the need for aid to the aged and disabled. Most of the increase in total payments (\$3.1 billion in 1970 to \$3.4 billion in 1971) is the result of increases in benefit levels. The newly authorized vendor payments to intermediate care facilities on behalf of recipients are growing rapidly (from \$95 million in 1969 to \$402 million in 1971). Projections for both AFDC and the adult categories will require revision with congressional action on the family assistance legislation.

In August 1969, State and local governments spent \$39 million for *general assistance* to the needy. There is no Federal participation in these programs, which are spotty in coverage and vary widely in payment levels.

The Veterans Administration pays *pensions to veterans and survivors* based on need. Pensions of \$1.3 billion will be paid in 1971 to 1.7 million veterans with non-service-connected disabilities (the test for disability decreases in stringency with increasing age). Benefits are based on income, although income is not as strictly defined as it is under public assistance. The survivors of veterans may also qualify for pensions (1.8 million will do so in 1971).

The other cash benefit payments based on need will total \$88 million in 1971. One of these programs, assistance to Cuban refugees, is growing at a rate of 25%, as the continuing orderly evacuation of political refugees from Cuba brings an increasing percentage who are elderly, infirm, or unskilled.

Income compensation.—These programs base benefits on measures other than income loss or need, such as indemnification for impairment of earning capacity. Most of the programs discussed here are designed to aid veterans.

Table L-12. CASH BENEFIT PROGRAMS: BENEFIT OUTLAYS, BENEFICIARIES, AND AVERAGE PAYMENTS FOR INCOME COMPENSATION PROGRAMS

	Benefit outlays (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
Cash benefit programs (income compensation):									
Veterans benefits:									
Disability compensation.....	\$2, 127	\$2, 350	\$2, 431	2, 805	2, 839	2, 869	\$63	\$69	\$71
Dependency and indemnity compensation.....	531	588	635	470	476	476	94	103	111
Life insurance (Federal funds).....	33	36	40	12	12	13			
Life insurance (trust funds).....	443	453	466	447	457	470			
Special benefits for disabled coal miners.....		20	150		17	62		200	200
Proposed legislation.....			-46						
Total, cash benefits for income compensation.....	3, 134	3, 447	3, 676						

Veterans disability compensation totaling \$2.4 billion will be paid to 2.9 million veterans with service-connected disabilities in 1971. Payments are intended to replace the average earning capacity lost due to varying degrees of disability. Payments under this program vary from \$23 monthly for a service-connected disability of 10% to \$400 for total disability. Reacting to claims that benefits were inadequate for the totally disabled relative to the lightly disabled, Congress raised the benefit for 100% disability by one-third in August 1968.

Survivors of veterans with service-connected disabilities are eligible for *dependency and indemnity compensation (DIC)*. In 1971, 476,000 survivors will receive payments of \$635 million. Payments are based on the military pay grade of the veteran. Other veterans benefits, primarily from life insurance funds, will total \$506 million in 1971.

A new compensation program for miners suffering from "black lung" disease was initiated in December 1969. Benefits for eligible miners are determined by the formula used for compensating Federal employees with work-related injuries. However, in the case of Federal employee compensation, benefits are based on actual salaries up to a certain maximum. For a miner, the benefit is based on the salary for a grade 2 civil servant rather than on the miner's actual wage.

Benefits in kind.—A wide variety of Federal programs can be considered to provide income security benefits restricted to specific uses (benefits in kind). The coverage of this analysis is limited to those programs that are the most closely related to cash benefit programs. Programs providing assistance in kind are grouped into

health care, food and nutrition, and housing programs. Benefit outlays for these programs will total \$14.0 billion in 1971, an increase of \$2.3 billion over 1970.

Health care.—Two health care programs are included in this Analysis. The larger in terms of Federal outlays is the Medicare program. Financed from two Social Security trust funds, the program constitutes a Federal health insurance system for the elderly. Benefits include hospitalization, funded by payroll taxes, and outpatient medical services, financed by enrollee premiums. Virtually the entire aged population is eligible for the former, and over 95% for the latter. Medicare benefit outlays will total \$8.4 billion in 1971.

The other health care program closely related to income security is the Medicaid program. This program is administered by the States and provides the poor with health services. The States are partially reimbursed from Federal funds, the Federal matching ratio ranging from 50% for a State ranking high in per capita income to 83% for the poorest States. Many Medicaid beneficiaries also receive cash payments from public assistance (about 60% in 1971), but Medicaid eligibility also extends to additional poor people in 28 States. Two States—California and New York—account for half of this program's total benefit outlays, which will reach \$5.8 billion in 1971 (of which \$3.0 billion will be Federal) under existing legislation.

Food and nutrition.—Several food and nutrition programs are considered to be very closely related to cash benefit programs. Two of the largest are the food stamp and commodity distribution programs. The food stamp program, which has become a major vehicle for the Administration's attack on hunger and malnutrition, expands the food purchasing power of needy households by permitting them to purchase food stamps with a redemption value greater than the stamp purchase price. This "stamp bonus" increases as income decreases; under the Administration's proposed legislation, stamps would be provided free to the very poor. This program has grown very rapidly, from only \$35 million in 1965 to \$575 million in 1970. Outlays are expected to grow to \$1.2 billion in 1971.

The other major food program aimed at poor families is the commodity distribution program. Under this program, the Federal Government furnishes the poor, as certified by State welfare agencies, with surplus commodities. State and local governments pay most of the administrative costs. This program now exists in 1,169 project areas and another 1,612 such areas have the food stamp program. The remaining 382 areas in the country are expected to have one of these programs by July 1970.

Two other Department of Agriculture programs—child nutrition and special milk—help feed about 25 million school children. The special milk program is being phased out in favor of more comprehensive child nutrition efforts. The child nutrition program is being directed more toward aiding needy children (it is expected that almost all needy school children will receive free or reduced price lunches in 1971). An OEO program of emergency food assistance will spend \$33 million in 1971 in the process of helping a monthly average of 400,000 people.

Housing.—Housing programs included in this Analysis provide decent housing for low-income families. The Department of Housing and Urban Development contracts to make periodic payments which reduce the occupancy costs to a level within the means of the poor. Under the low rent public housing program (1971 outlays, \$622 million) and the rent supplement program (1971 outlays, \$41 million), the payments cover both principal and interest on the bond or mortgage financing the dwelling, and may cover part of the operating costs as well. Public housing is owned or leased by an agency of the local or State government, while rent supplement units are privately owned. Eligibility for admission to a public housing or a rent supplement unit is determined primarily by family income. Specific income standards for public housing are set by the local housing authorities. Every public housing resident pays some level of rent; in most cases the rent varies with income. Families in rent supplement units generally pay rent equal to 25% of income.

Table L-13. **IN KIND BENEFIT PROGRAMS: BENEFIT OUTLAYS AND BENEFICIARIES BY PROGRAM**

	Benefit outlays (millions)			Number of beneficiaries (thousands)		
	1969 actual	1970 est.	1971 est.	1969 actual	1970 est.	1971 est.
Health care:						
Public assistance—Medicaid:						
(Federal share).....	\$2, 182	\$2, 537	\$2, 974	4, 283	4, 472	5, 255
(State and local share).....	(1, 806)	(2, 478)	(2, 835)			
Medicare:						
Hospital insurance.....	4, 654	5, 225	6, 325	4, 400	4, 500	4, 500
Supplementary medical insurance.....	1, 645	1, 949	2, 078	9, 000	9, 300	9, 700
Food and nutrition:						
Food stamps.....	229	547	1, 200	3, 224	5, 424	7, 472
Removal of surplus commodities.....	550	498	485	25, 458	29, 502	29, 670
Child nutrition.....	260	364	466	20, 618	24, 402	24, 720
Special milk.....	101	101	17	17, 000	17, 000	
OEO emergency assistance.....	10	20	33	112	231	381
Housing:						
Public housing.....	339	457	622	785	878	978
Rent supplements.....	5	19	41	12	36	67
Proposed legislation.....			-215			
Total, in kind benefits.....	9, 975	11, 717	14, 026			

Program interrelationships.—Individuals are often entitled to benefits from several programs. Table L-14 demonstrates the extent of such overlap. Social security programs, serving as an almost universal base system of income security, have the largest degree of common clientele with other programs. Many recipients of income support programs receive social security, but there is also considerable overlap with Federal retirement programs. Public assistance recipients are also in receipt of benefits in kind. There is a significant overlap with Medicaid, food stamps, commodity distribution, and public housing. Un-

fortunately, data are not available to accurately assess the full extent of program complementarity or duplication.

Table L-14. EXTENT OF OVERLAP AMONG BENEFICIARIES OF SELECTED INCOME SECURITY PROGRAMS

Program	Percent of beneficiaries also receiving: ¹	
	OASDI	Public assistance (OAA, AB, APTD, AFDC)
OASDI.....	100	8
Civil service retirement.....	40	NA
VA pensions.....	74	NA
Old age assistance.....	57	100
AFDC.....	8	100
Medicaid.....	NA	60
Medicare.....	² 92	NA
Food stamps.....	NA	60
Commodity distribution.....	NA	58
Public housing.....	NA	58

¹ Based on latest available estimates.

² Represents overlap in coverage rather than beneficiaries.

NA = Not available.

Because of program overlap, changes in one program's benefits can affect benefits paid under other programs. The important link in this benefit interrelationship is through each program's treatment of income from other income security programs. In general, the more a benefit is viewed as an earned right (e.g., OASDI, Federal employee retirement) the less likely the benefit depends on other program benefits. The more the benefit is related to need, the more likely it is reduced because of other program benefits. A hierarchy has been established among income support programs. VA pensions disregard all welfare income, public assistance disregards food stamps but taxes VA pensions at 100%. Food stamps taxes both VA pensions and public assistance at 25% on average. Most programs do not relate benefit amounts to the receipt of benefits in kind, due to uncertainty about the valuation of such benefits; however, eligibility for in kind assistance often hinges on eligibility for cash assistance.

Federal aid to the poor.—Income security programs constitute a major part of the broad array of Federal resources providing assistance to the more than 24 million poor Americans (those whose incomes fall below the level defined as the poverty line). Despite the strength of our social and economic structure, poverty exists for many in terms of poor housing, poor nutrition, inadequate health care, underemployment and unemployment, lack of marketable skills, and lack of education.

The aggregate amount of Federal resources addressed to the needs of the poor has shown a steady increase. The 1971 budget provides \$32.9 billion, an increase of \$3.2 billion over 1970 and \$6.7 billion over 1969 (see table L-15). Most of this increase is accounted for by programs which provide direct income support for individuals and families whose incomes are below the poverty level. In addition to

direct income assistance, other social programs have focused resources and program activities on the problems of poverty.

Table L-15. FEDERAL AID TO THE POOR

Category	(In billions of dollars)		
	1969 actual	1970 estimate	1971 estimate
Education.....	2.2	2.3	2.7
Employment assistance.....	1.6	1.7	2.3
Health assistance.....	5.3	5.9	6.4
Maintenance of individuals and families:			
Income assistance.....	15.1	17.1	17.8
Other maintenance assistance.....	1.6	2.3	3.3
Research, demonstration, and other support.....	0.4	0.4	0.4
Total.....	26.2	29.7	32.9

Table L-16. FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM

Department, agency and program	Benefit outlays (in millions of dollars)		
	1969 actual	1970 estimate	1971 estimate
Department of Health, Education, and Welfare:			
Social security:			
Old-age and survivors insurance.....	\$23,732	\$26,356	\$29,706
Disability insurance.....	2,443	2,798	3,191
Hospital insurance.....	4,654	5,225	6,325
Supplementary medical insurance.....	1,645	1,949	2,078
Public assistance:			
Maintenance payments.....	3,370	4,081	4,647
Medicaid.....	2,182	2,537	2,974
Assistance to refugees.....	40	52	70
Public Health Service officers retirement.....	7	9	11
Special benefits for disabled coal miners.....		20	150
Proposed legislation.....			285
Total, Health, Education, and Welfare.....	38,073	43,027	49,437
Veterans Administration:			
Disability and dependency and indemnity compensation.....	2,658	2,938	3,066
Veterans and survivors pensions.....	2,149	2,250	2,272
Life insurance (Federal funds).....	33	36	40
Life insurance (trust funds).....	443	453	466
Other veterans benefits.....	2	2	2
Proposed legislation.....			-52
Total, Veterans Administration.....	5,285	5,679	5,794
Department of Labor:			
Unemployment insurance (State programs).....	2,061	2,620	2,952
Railroad unemployment.....	97	93	94
Unemployment compensation for Federal employees and ex-servicemen.....	127	185	200
Trade adjustment activities.....	*	1	1
Federal employees compensation.....	95	111	130
Total, Labor.....	2,380	3,010	3,377

Table L-16. FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM—Continued

Department, agency and program	Benefit outlays (in millions of dollars)		
	1969 actual	1970 estimate	1971 estimate
Department of Defense:			
Military retirement.....	2,444	2,857	3,193
Total, Defense.....	2,444	2,857	3,193
Department of Agriculture:			
Food stamps.....	229	547	1,200
Removal of surplus commodities.....	550	498	485
Child nutrition.....	260	364	466
Special milk.....	101	101	17
Total, Agriculture.....	1,140	1,510	2,168
Department of Housing and Urban Development:			
Public housing.....	339	457	622
Rent supplements.....	5	19	41
Total, Housing and Urban Development.....	344	476	663
Civil Service Commission:			
Civil service retirement.....	2,192	2,554	2,933
Special annuities (CSC).....	1	1	1
Total, Civil Service Commission.....	2,193	2,555	2,934
Railroad Retirement Board:			
Railroad retirement.....	1,533	1,620	1,695
Proposed legislation.....		44	104
Total, Railroad Retirement Board.....	1,533	1,664	1,799
Department of Transportation:			
Coast Guard retirement.....	53	60	64
Total, Transportation.....	53	60	64
Office of Economic Opportunity:			
Emergency assistance.....	10	20	33
Total, OEO.....	10	20	33
Department of State:			
Foreign service retirement.....	13	16	18
Total, State.....	13	16	18
Department of the Interior:			
General assistance to Indians.....	9	15	18
Total, Interior.....	9	15	18
The Judiciary:			
Judges retirement and survivors annuity fund.....	5	6	6
Total, Judiciary.....	5	6	6
Department of Commerce:			
ESSA officers retirement.....	1	1	1
Total, Commerce.....	1	1	1
Total, Federal outlays.....	53,483	60,896	69,505

*Less than \$500 thousand.

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SPECIAL ANALYSIS M

FEDERAL PROGRAMS FOR THE REDUCTION OF CRIME

The objective of the Federal crime reduction program is to reduce the rate of criminal law violations in our Nation, and thereby limit the great economic and social costs of crime. To reach this objective the Federal Government will continue to increase assistance to State and local governments, undertake a wide range of programs designed to improve the methods and techniques of crime prevention and law enforcement, and maintain the high quality of justice necessary to the functioning of a free society. These programs will (1) improve enforcement of criminal laws at all levels of government, and thereby increase the perceived risk to criminals of detection and punishment for criminal acts; (2) develop a system of corrections which reforms the behavior of individuals rather than merely restricts their liberty for a period of time; (3) upgrade the administration of criminal justice so that those accused of crime are provided a prompt and fair trial; and (4) increase our understanding of the nature and extent of crime.

ACCOMPLISHMENTS OF THE PAST YEAR

The accomplishments of the past year reflect the very high priority the administration has placed on combating crime and improving our entire system of criminal justice. Events of particular importance during the past year were:

- A strong Administration commitment to an intensive effort to rid our Nation of the corrupting influence of organized crime. The new Administration requested an addition of \$25 million to the 1970 budget for this purpose. The President transmitted a special message to Congress on organized crime calling for new legislation to attack the problem, and indicating his intention to increase the number of Federal organized crime strike forces to 20 in 1971.
- Major new initiatives to control the abuse of narcotics and dangerous drugs. The strong commitment of the President to the achievement of drug abuse control was evidenced by (1) a successful effort in the Nation's Capital to destroy a major criminal system of drug distribution; (2) development of a program to apply similar efforts in other major cities; (3) an intensification of the Nation's program to control illegal entry of narcotics across our southern borders; and (4) a 100% expansion in the number of agents involved in enforcement of smuggling laws. The President transmitted a special message to the Congress on control of narcotics and dangerous drugs indicating that the Federal Government would meet the drug problem with all techniques available, including public education, treatment, enforcement, assistance to State and local officials, and international cooperation.
- A landmark statement of Presidential policy on the reform of the Federal Correctional System. On November 13, 1969, the Presi-

dent issued a 13-point program for the modernization and reform of Federal corrections which calls for particular emphasis on programs for juveniles, narcotics addicts, alcoholics, and the mentally ill; expansion of community-based programs; and for much better evaluation of correctional programs and research looking toward the development of more effective rehabilitation. The President has asked the Attorney General to develop a 10-year plan for reforming Federal correctional activities.

- Major new developments in intergovernmental cooperation including (1) initiation of intergovernmental organized crime strike forces and planning for an intergovernmental narcotics enforcement task force; (2) expansion of the FBI's National Crime Information Center to service 48 of the 50 States; (3) development by 10 States through the Law Enforcement Assistance Administration (LEAA) of a demonstration criminal justice information and statistics system (Project Search) which may become a prototype for a nationwide system; (4) initiation of a six-State project receiving LEAA funds and technical assistance from the Criminal Division of the Department of Justice to develop a prototype computerized system for storage and retrieval of organized crime intelligence data; (5) special emphasis on the crime problems of the District of Columbia including proposals for law reforms, court reorganization, and joint efforts to combat the narcotics traffic in the Nation's Capital; and (6) implementation of the Law Enforcement Assistance program which is designed as a partnership effort among Federal, State, and local governments to plan and carry out a comprehensive nationwide reform of law enforcement and criminal justice activities.

**Table M-1. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME
BY AGENCY ¹ (in thousands of dollars)**

Agency	Outlays		
	1969 actual	1970 estimate	1971 estimate
The Judiciary ²	48,485	55,510	58,054
Office of Economic Opportunity	7,446	5,095	11,295
Department of Agriculture	3,158	3,602	3,810
Department of Health, Education, and Welfare	45,433	60,167	75,765
Department of Housing and Urban Development	526	13,660	23,600
Department of the Interior	15,523	18,565	19,713
Department of Justice	390,315	598,942	830,428
Department of Labor	2,839	4,900	6,100
Post Office Department	31,899	27,904	36,509
Department of Transportation	10,995	11,663	12,475
Treasury Department	90,344	125,578	141,903
Atomic Energy Commission	243	159	149
General Services Administration	-----	4,377	13,333
National Aeronautics and Space Administration	272	1,172	1,238
Veterans Administration	10,663	15,457	22,501
Other Independent Agencies	212	590	465
Total Federal outlays	658,353	947,341	1,257,338

¹ Does not include Department of Defense or nondomestic outlays for crime reduction.

² Outlays estimated by the Bureau of the Budget.

1971 BUDGET HIGHLIGHTS

In 1971 total Federal outlays for the reduction of crime will amount to over \$1,257 million. This compares with \$947 million estimated to be spent in 1970 and is 91% more than outlays for crime reduction in 1969. Recognizing that the heaviest burden of enforcing our criminal laws rests upon State and local governments, major emphasis in 1971 will be given to programs for improving State and local criminal justice systems and for assisting communities in preventing crimes and delinquency. Of the \$1,257 million of 1971 Federal outlays reported in this analysis, \$518 million, or 41%, will be for programs or projects which assist State and local governments in their crime reduction efforts. Outlays of the Law Enforcement Assistance Administration are expected to total \$368 million in 1971, an increase of \$190 million over 1970. Budget authority of \$480 million is requested for this program in 1971. All States have prepared comprehensive law enforcement improvement plans under the LEAA's block grant program and implementation of a wide range of planned projects will occur in 1970 and 1971. Numerous projects for the prevention of crime funded under the Model Cities program will supplement LEAA funded programs in meeting the crime problems of certain urban areas.

Other major highlights of the 1971 Crime Reduction Budget include:

- \$43 million for crime research and statistics which is a 60% increase of funds spent for these purposes in 1970 and a 221% increase over such outlays in 1969.
- An 80% increase over 1970 in funds for crime prevention including public education, juvenile delinquency prevention, and narcotic addict rehabilitation.
- The expenditure of \$56 million for special Federal enforcement against organized crime, and \$18 million to support the efforts of State and local governments in combating organized crime. This compares with \$24 million spent for all such programs in 1969.
- \$5 million in new budget authority for further construction of a consolidated Federal Law Enforcement Training Center at Beltsville, Md., to provide 13 Federal police and investigative agencies with modern facilities for basic and advanced training, and \$14 million to complete construction and equip a new FBI National Academy which will provide greatly expanded programs of training for State and local law enforcement personnel.
- Outlays of \$177 million to carry out Federal correctional programs, and assist State and local correctional systems. A major new prison and jail construction program will be undertaken in 1971 and treatment and rehabilitation projects will be expanded both in prisons and in the community.

CRIME REDUCTION PROGRAM BY ACTIVITIES

The budget outlays reported under this special analysis cover all domestic Federal programs directly related to or closely associated with crime reduction, except outlays associated with programs of the Defense Department.¹ The analysis includes certain programs of the

¹ The Bureau of the Budget estimate of Department of Defense outlays for crime reduction is \$500 million in 1969.

Judiciary even though the basic function of the Judiciary is to assure the administration of justice rather than to reduce crime. It excludes general social programs (even though such programs may indirectly reduce crime) unless they are clearly within the context of crime reduction or prevention (e.g., vocational training of prisoners; treatment of juvenile delinquents). Also, the analysis does not include background investigations for employment, administrative inspections, guarding functions, or investigations primarily of a regulatory nature which may in rare cases result in the application of criminal sanctions. Where activities involve both civil and criminal proceedings (e.g., operation of courts) an allocation of outlays to the criminal function has been estimated by the Bureau of the Budget.

Table M-2. **FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND SELECTED ACTIVITY**¹ (in thousands of dollars)

Major program and selected activity	Outlays		
	1969 actual	1970 estimate	1971 estimate
Crime research and statistics:			
Criminal justice statistics.....	1,691	6,497	10,788
Research and development.....	11,752	20,423	32,421
Program total.....	13,443	26,920	43,209
Reform of criminal laws.....	346	1,037	1,452
Services for prevention of crime:			
Public education.....	2,485	13,616	30,614
Alcoholic and addict rehabilitation.....	25,242	29,147	48,080
Prevention and control of juvenile delinquency.....	14,911	35,655	61,297
Other community services for crime reduction.....	5,142	25,367	46,850
Program total.....	47,780	103,785	186,841
Federal criminal law enforcement:			
Enforcement in support of Federal systems.....	197,762	209,279	230,967
General Federal law enforcement.....	122,493	151,117	163,191
Federal police.....	12,728	17,153	22,741
Specialized activities against organized crime.....	23,242	50,075	55,924
Program total.....	356,225	427,624	472,823
Law enforcement support:			
Support of Federal law enforcement.....	5,170	8,161	14,717
Assistance to States and localities for:			
Intelligence and information systems.....	2,050	6,826	13,467
Education and training of enforcement officers.....	17,036	57,898	93,945
Laboratory support.....	1,700	4,377	5,049
General police activities.....	22,206	41,627	59,657
Control of civil disorders.....	4,750	12,230	31,813
Combating organized crime.....	640	6,900	17,800
Other.....	187	205	190
Program total.....	53,739	138,224	236,638

See footnotes at end of table.

Table M-2. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND SELECTED AGENCY¹ (in thousands of dollars)—Con.

Major program and selected activity	Outlays		
	1969 actual	1970 estimate	1971 estimate
Administration of criminal justice:			
Conduct of Federal criminal prosecutions	18,827	22,538	25,002
Operation and support of Federal court systems ²	43,875	52,964	55,023
Assistance to States and localities for improved administering of justice	1,036	9,089	25,116
Other supporting programs	4,800	4,951	5,310
Program total	68,538	89,542	110,451
Rehabilitation of offenders:			
Operation of Federal correctional institutions	71,082	79,373	90,336
Federal probation, parole, and community treatment	13,830	15,730	16,963
Federal inmate education and training	4,194	5,316	7,248
Assistance to States and localities for improved correctional progress	11,211	29,555	56,083
Other programs supporting Federal corrections	5,065	5,963	6,694
Program total	105,382	135,937	177,324
Planning and coordination of crime reduction programs	12,900	24,272	28,600
Total Federal outlays	658,353	947,341	1,257,338

¹ Does not include Department of Defense or nondomestic outlays for crime reduction.² Outlays estimated by the Bureau of the Budget.

Crime research and statistics.—Crime research and statistics includes the various Government activities designed to produce statistics and knowledge concerning crime, criminals, and the criminal justice system, and to develop improved methods and techniques for the operation of the system.

- The Department of Justice (LEAA) will continue development of a comprehensive criminal justice statistics and information service. Included will be a prototype system for exchanging criminal history information among States, statistics on victimization, assessments of the economic impact of crime, and a survey of the Nation's jails. The FBI will continue to maintain a nationwide system of reported crime data and publish this information periodically.
- The National Institute of Mental Health will support an expanded program of basic and applied research on the nature and causes of crime and delinquency. The Institute will develop better knowledge of a broad range of aggressive, violent, and destructive behavior.
- The Department of Justice (LEAA) will develop improved detection and apprehension techniques including nighttime viewing devices, voice print equipment and better police radio and communications gear. The FBI will further develop automated fingerprint identification techniques and the Bureau of Narcotics and

Dangerous Drugs will improve its program to identify and test new dangerous substances susceptible to abuse.

- The AEC will develop applications of neutron activation analysis to problems of forensic medicine and science, and NASA will fund a variety of projects for planning and evaluating police patrol and detection techniques.
- Research on improved correctional practices will be undertaken by both the Bureau of Prisons and NIMH. LEAA will provide funds for similar research in the States. LEAA, NIMH, and the Federal Judicial Center will study ways to improve court procedures and methods.

Reform of criminal laws.—Criminal law reform includes government efforts to improve the effectiveness of the Nation's laws and assure that they accurately reflect the values and standards of society.

- Drafting and presenting many of the Federal Government's criminal legislative proposals is a principal Department of Justice responsibility. The Department has developed and the Congress is now considering major reforms in narcotic and drug laws, and important changes in the criminal laws of the District of Columbia and in the structure and organization of its courts.
- The National Commission on Reform of Federal Criminal Laws will complete its study by November 1970, and recommend to the President and the Congress a revision of the entire Federal criminal code.
- The Bureau of Narcotics and Dangerous Drugs will foster enactment by the States of a Uniform Controlled Dangerous Substances Act. A revised draft has been completed and is being discussed with interested groups.
- The Law Enforcement Assistance Administration will provide over \$1 million in 1971 to aid State and local activities connected with criminal law reform.

Prevention of crime.—Crime prevention includes government efforts to limit or render less probable the commission of criminal acts by means other than direct enforcement or general correctional activities. Included are public education, alcoholic and addict rehabilitation, treatment of juvenile delinquents, and projects to improve police-community relations.

- Total Federal outlays for juvenile delinquency prevention will exceed \$61 million in 1971. Of this amount \$13 million will be spent under the Juvenile Delinquency Prevention and Control Act of 1968 for rehabilitation and community-based prevention services to juveniles. In 1969 planning grants were made to 37 States, and by 1971 it is anticipated that all States will have comprehensive juvenile delinquency prevention plans. Seventeen preventive service projects will increase to 46 new projects in 1970 and 55 in 1971. LEAA will also provide \$32 million for State and local juvenile delinquency projects in 1971. HEW (Office of Education) will devote \$16 million for improving education for institutionalized delinquent children.
- A variety of crime prevention projects will be undertaken by communities with funds of the Department of Housing and Urban

Development (Model Cities). Projects will include halfway houses and foster homes for juveniles, improved juvenile probation services, addiction treatment centers, and police-community relations activities.

- Twenty-nine VA hospitals operate alcoholism treatment units. In 1971 the VA is requesting \$1.3 million for nine additional alcoholism units. The units are encouraged to also treat veterans with drug abuse problems.
- OEO, NIMH, and the Bureau of Prisons will provide treatment for narcotic addicts. OEO supports seven projects offering community-based rehabilitation services to 8,000 persons. During 1970 and 1971 OEO will explore new ways of dealing with addiction in poverty communities. NIMH will provide primarily community-based treatment for an estimated 15,000 narcotic addicts in 1971. The Bureau of Prisons will provide treatment within prisons and aftercare in the community following release from prison for over 1,100 addicts.
- A 3-year drug information program will be initiated by HEW, Justice, and the Defense Department utilizing radio, TV and printed media.

Federal criminal law enforcement.—Law enforcement involves direct Federal Government efforts to detect, identify, and apprehend violators of criminal laws. Representative programs include criminal investigations, policing of certain Federal areas, and special concerted activities against organized crime. (See workload tables following table M-3.)

- Enforcement in support of Federal systems will require \$231 million of outlays in 1971, an increase of 10% over 1970 and a 17% increase over 1969. These activities include enforcement of internal revenue, currency, postal, customs, immigration, and selective service laws.
- General Federal law enforcement activities will require outlays of \$163 million in 1971, an increase of 8% over 1970, and 33% over 1969. Activities include enforcement of criminal laws relating to narcotics and drugs, civil rights, conservation, and investigations of bank robberies and thefts from interstate commerce.
- Federal police activities are conducted in certain areas in the National Park Systems, on Indian reservations and within other areas of Federal responsibility. Agencies with principal responsibilities are the Interior and Treasury Departments. The outlay increase in 1971 for police activities results primarily from the establishment within the Secret Service of an Executive Protective Service which will, among other duties, extend greater protection to foreign diplomatic missions.
- Direct Federal outlays for combating organized crime will be \$56 million in 1971, an increase of 141% over funds spent for this purpose in 1969. Federal agencies most involved in this program are Internal Revenue Service, FBI, Justice's Criminal Division, U.S. attorneys and U.S. marshals, Bureau of Customs, Secret Service, and the Labor and Post Office Departments.

Law enforcement support.—This includes Federal efforts to provide or improve activities which support or upgrade Federal, State, and local police and investigative agencies.

- Of the total Federal outlays in 1971 for activities supporting law enforcement, \$15 million will be for support of Federal enforcement, and \$222 million for support of State and local enforcement. The principal channel for funding State and local support programs will be the Law Enforcement Assistance Administration in the Department of Justice.
- A number of Federal agencies will participate in providing training for State and local enforcement officers. LEAA funds totaling \$62 million will go for State- or local-administered police training in 1971. The Office of Education expects to fund enrollment of 115,000 persons in vocational education classes in law enforcement in 1971. The Veterans Administration plans to provide financial assistance to 24,000 veterans participating in law enforcement training on the job or in school. BNDD will provide training on drug enforcement to over 22,000 police officers in 1971, and the FBI will open a new national academy which will provide training to 3,000 officers annually. In its field training program, the FBI participated in over 7,800 training courses attended by over 233,000 officers during the past year.
- LEAA will provide funds for loans to full-time students and in-service officers in programs leading to college degrees. As many as 100,000 students will be aided in 1971.

Administration of criminal justice.—This category includes the preparation and prosecution of criminal cases, operation of court systems, trial of cases, provision of defense counsel in certain cases, and related and supportive activities.

- During fiscal year 1969 there were (excluding transfers) 33,585 criminal cases commenced in U.S. district courts, compared with 30,714 in 1968. The district courts terminated 30,578 criminal cases in 1969 as compared with 29,492 in 1968. As of June 30, 1969, there were 17,770 pending criminal cases in district courts as compared with 14,763 pending in 1968.
- The Federal Magistrates Act will be in full effect by November 1971. U.S. magistrates will have powers beyond those of U.S. commissioners, and may assist judges in pre-trial or discovery proceedings and review applications for post-trial relief of convicted persons.
- Legal representation will continue to be provided Federal criminal defendants who cannot otherwise afford to retain counsel. Outlays for this purpose will exceed \$4 million in 1971.

Rehabilitation of offenders.—These programs include government custody and rehabilitation of criminal offenders. Specific projects include the supervision and operation of correctional institutions, inmate and offender treatment and training programs, and supportive functions.

- Outlays for supporting and upgrading correctional and rehabilitation programs will exceed \$177 million in 1971, an increase of 30% over 1970 and 68% over 1969. Of the total, over \$56 million will support correctional programs of State and local governments.

- A major prison and jail construction program will be initiated in order to modernize prison facilities and build new jails within multipurpose facilities providing diagnostic services and treatment within the community.
- Treatment of offenders in the community will be emphasized. During 1971 the Bureau of Prisons will operate 16 community treatment centers servicing an estimated 2,000 persons.
- During 1971 the Bureau of Prisons will provide vocational training for 10,000 Federal inmates (compared with 6,200 in 1969).
- The Department of Labor will train approximately 2,300 inmates of State correctional institutions in various occupational shortage areas at a cost of \$3 million in fiscal year 1971 as well as in 1970.
- OEO will continue an experiment to provide college preparatory courses for prison inmates and post-release assistance to former inmates on the campus.
- The Office of Education will provide basic education for over 26,000 inmates in State and local institutions in 1971.

Planning and coordination of crime reduction programs.—Included are Federal support of State and local planning and coordination of crime reduction activities.

- The Justice Department, HEW, and HUD all fund major programs which are devoted wholly or in part to supporting local efforts to prevent crime. It is essential that these programs be carefully planned and coordinated at each level of government. Funds are made available under these programs for comprehensive State and local planning and coordination. At the Federal level the Department of Justice (under Executive Order 11396) is responsible for effective program coordination.

Table M-3. **FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY**¹ (in thousands of dollars)

Major program and agency	Outlays		
	1969 actual	1970 estimate	1971 estimate
Crime research and statistics:			
The Judiciary ²	67	78	146
Department of Health, Education, and Welfare.....	5,733	6,216	6,400
Department of the Interior.....		10	12
Department of Justice.....	6,413	18,266	33,883
Post Office Department.....	196	368	262
Department of Transportation.....	519	651	1,119
Atomic Energy Commission.....	243	159	149
National Aeronautics and Space Administration.....	272	1,172	1,238
Total.....	13,443	26,920	43,209
Reform of criminal laws:			
Department of the Interior.....			27
Department of Justice.....	134	747	1,260
Other independent agencies.....	212	290	165
Total.....	346	1,037	1,452

See footnotes at end of table.

Table M-3. **FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY¹** (in thousands of dollars)—Continued

Major program and agency	Outlays		
	1969 actual	1970 estimate	1971 estimate
Services for prevention of crime:			
Office of Economic Opportunity	5,400	2,600	8,400
Department of Health, Education, and Welfare	32,293	45,627	59,916
Department of Housing and Urban Development	266	13,400	23,300
Department of the Interior	444	471	475
Department of Justice	4,783	36,402	86,527
Post Office Department	51	60	73
Department of Transportation	843	1,125	1,150
Veterans Administration	3,700	4,100	7,000
Total	47,780	103,785	186,841
Federal criminal law enforcement:			
Department of Agriculture	3,158	3,602	3,810
Department of the Interior	13,397	15,349	16,372
Department of Justice	208,647	244,858	264,895
Department of Labor		1,900	3,100
Post Office Department	31,083	26,645	35,382
Department of Transportation	9,596	9,842	10,161
Treasury Department	90,344	125,128	138,803
Other independent agencies		300	300
Total	356,225	427,624	472,823
Law enforcement support:			
Office of Economic Opportunity	581	110	110
Department of Health, Education, and Welfare	1,335	1,636	2,136
Department of the Interior	896	1,554	1,429
Department of Justice	43,360	117,866	200,194
Post Office Department	569	831	792
Department of Transportation	35	43	43
Treasury Department		450	3,100
General Services Administration		4,377	13,333
Veterans Administration	6,963	11,357	15,501
Total	53,739	138,224	236,638
Administration of criminal justice:			
The Judiciary ²	36,573	42,146	44,198
Department of Health, Education, and Welfare	759	860	900
Department of the Interior	374	591	630
Department of Justice	30,830	45,943	64,721
Department of Transportation	2	2	2
Total	68,538	89,542	110,451
Rehabilitation of offenders:			
The Judiciary ²	11,845	13,286	13,710
Office of Economic Opportunity	1,465	2,385	2,785
Department of Health, Education, and Welfare	5,313	5,828	6,413
Department of the Interior	412	578	768
Department of Justice	83,508	110,860	150,648
Department of Labor	2,839	3,000	3,000
Total	105,382	135,937	177,324

See footnotes at end of table.

Table M-3. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY¹ (in thousands of dollars)—Continued

Major program and Agency	Outlays		
	1969 actual	1970 estimate	1971 estimate
Planning and coordination of crime reduction programs:			
Department of Housing and Urban Development.....	260	260	300
Department of the Interior.....		12	
Department of Justice.....	12,640	24,000	28,300
Total.....	12,900	24,272	28,600
Total Federal outlays.....	658,353	947,341	1,257,338

¹ Does not include Department of Defense or nondomestic outlay for crime reduction.² Outlays estimated by the Bureau of the Budget.

SELECTED CRIME REDUCTION DATA (dollars in thousands)

	1968	1969
Federal outlays for crime reduction:		
Federal crime reduction outlays assisting States and localities.....	(1)	\$103,739
Federal crime reduction outlays for reduction of Federal crimes.....	(1)	554,614
Total Federal outlays for reduction of crime.....	\$530,643	658,353
Federal personnel:		
Full-time Federal criminal investigators.....	² 12,618	² 12,818
U.S. attorneys and assistant attorneys (man-years on criminal workload).....	480	560
Attorneys—Criminal division (man-years).....	168	168
U.S. district court judgeships.....	341	341
State and local crimes: ³		
Serious crimes recorded (UCR—table 2).....	4,466,600	(1)
Violent crimes recorded (UCR—table 2).....	588,800	(1)
Rate of serious crimes per 100,000 inhabitants (UCR—table 2).....	2,235	(1)
Rate of violent crimes per 100,000 inhabitants (UCR—table 2).....	295	(1)
Percent index crimes cleared by arrest (UCR—table 13).....	20.9	(1)
Percent found guilty of persons charged by police (UCR—table 15).....	66.7	(1)
Federal investigations:		
FBI, investigative matter received.....	820,830	859,666
Post Office, criminal caseload.....	181,153	200,812
IRS, tax fraud investigations.....	9,372	8,135
Bureau of Customs (cases closed).....	27,989	28,175
Secret Service (cases closed).....	87,197	79,892
Disposition of Federal criminal matters:		
Investigative matters presented for prosecutive decision—prosecution declined.....	(1)	83,483
Federal criminal cases commenced ⁴	30,714	33,585
Federal criminal cases terminated ⁴	29,492	30,578
Federal criminal cases pending ⁴	14,763	17,770
Federal criminal cases pending over 6 months ⁵	4,340	5,078
Federal criminal defendants convicted.....	26,660	29,450

See footnotes at end of table.

SELECTED CRIME REDUCTION DATA (dollars in thousands)—Continued

	1968	1969
Corrections:		
Average Federal jail population.....	3,438	3,866
Average Federal prison population.....	19,677	20,239
Court commitments to Federal institutions.....	11,653	11,162
Average Federal prison sentences (months).....	44.5	45.2
Persons under supervision of Federal Probation System (end of year) ⁶	36,785	36,985
Federal paroles granted.....	5,840	5,445
Warrants issued for violation of conditions of release from prison.....	2,891	2,521
Executive clemency petitions granted.....	16	-----

¹ Not available.² CSC jobs classified in series 1811 as of October 31.³ From uniform crime reports—calendar year 1968 (FBI).⁴ Excludes transfers.⁵ Excludes pending cases of fugitives.⁶ Includes probation, parole and mandatory release; estimate by the Bureau of the Budget.

SPECIAL ANALYSIS N

FEDERAL HOUSING PROGRAMS

COVERAGE AND SCOPE OF THE ANALYSIS

A wide variety of Federal programs and activities have a direct or indirect impact on the production of housing. These include programs of direct Federal construction of housing (primarily for civilian employees or military personnel), basic involvement in mortgage financing, and subsidies for housing for low- and moderate-income families. In addition, major activities outside the Federal budget, involving both Government-sponsored enterprises and private investment, occur as a direct result of Federal programs and policies. This analysis summarizes the impact of these Federal programs and activities. Programs are included if they:

- Assist the production or sale of family housing;
- Assist in preventing deterioration of the existing housing stock; or
- Provide certain other types of indirect support for housing production.¹

RELATIONSHIP OF THE ANALYSIS TO THE ANNUAL HOUSING GOALS REPORT

Section 1603 of the Housing and Urban Development Act of 1968, as amended (42 U.S.C. 1441c) requires an annual report to the Congress on progress in the production of new or rehabilitated housing and in the reduction of substandard housing. This special analysis is consistent with the data being developed for the Annual Housing Goals Report which will be submitted by February 15, 1970. The focus of the two differs substantially, however. This analysis concentrates on the financial and budget impact of Federal and Federally assisted housing activities. The Annual Housing Report, on the other hand, discusses the entire housing sector and the factors affecting it, including both Federal and non-Federal activities. The Annual Housing Report uses housing starts as a measure of production. Since starts are not readily translated into budget impact, this analysis concentrates on federally assisted financial commitments (which usually precede starts) and on outlays (which usually follow completions).

¹ Activities excluded from this analysis include: Housing allowances which are paid to civilian employees, military personnel, or beneficiaries of income maintenance programs; the production of dormitories or barracks or housing outside the United States and its possessions; and programs which assist housing only by providing land and supporting facilities.

SUMMARY

Federal budget outlays for housing excluding the impact of asset sales are expected to total \$3.6 billion in 1971, compared to \$2.8 billion in 1970 and \$1.8 billion in 1969. The change from 1970 to 1971 is primarily a reflection of increased outlays for housing for low- and moderate-income families, consisting of:

- An increase of \$294 million in payments on outstanding long-term subsidy contracts supporting housing for low- and moderate-income families; and
- A \$615 million increase in insured loans originated in rural areas for subsequent sale by the Farmers Home Administration.

The impact of these increases, however, is more than offset by a \$1.9 billion increase in the sale of financial assets and other reductions, with the result that net budget outlays (after taking account of these sales) decline from \$1.9 billion to \$0.7 billion.

In addition to activities included within the Federal budget totals, Government-sponsored enterprises (the Federal National Mortgage Association and the Federal Home Loan Banks) are expected to borrow \$6.7 billion for investment in housing, compared to \$10.3 billion in 1970. This decline reflects the anticipation of somewhat easier credit conditions, permitting a major growth in mortgage credit to be financed with less support from these institutions. This is reflected also in the \$22 billion total which is estimated to be forthcoming from private investors for federally assisted housing programs, a marked increase from the \$14 billion estimated for 1970.

Table N-1. SUMMARY OF FEDERAL HOUSING PROGRAMS

(in millions of dollars)

	1969 actual	1970 estimate	1971 estimate
Budget outlays for housing programs, excluding proceeds from sale of financial assets	1,842	2,798	3,593
Less: Proceeds from sale of financial assets	-581	-936	-2,861
Net budget outlays for housing programs	1,261	1,862	732
Federally assisted private investment in housing	12,276	13,617	22,102
Borrowings by Government-sponsored enterprises included above ..	(3,829)	(10,282)	(6,741)

Table N-2. BUDGET OUTLAYS FOR HOUSING PROGRAMS
(in millions of dollars)

	1969 actual	1970 estimate	1971 estimate
Budget outlays for housing by agency:			
Department of Housing and Urban Development.....	876	870	1,203
Department of Defense.....	415	435	449
Department of Agriculture.....	15	341	-625
Veterans Administration.....	194	202	-272
Federal Savings and Loan Insurance Corporation.....	-289	-154	-117
Small Business Administration.....	-1	71	11
Other agencies.....	51	96	84
Total.....	1,261	1,862	732
Financial asset sales included above:			
Department of Housing and Urban Development.....		50	100
Department of Agriculture.....	580	825	2,235
Veterans Administration.....	1	61	526
Total.....	581	936	2,861
Budget outlays for housing by type of programs:			
Guaranteed or insured financing.....	-168	-14	-1,336
Direct Federal financing without subsidy.....	117	125	-56
Subsidized housing for special groups:			
Financing combined with subsidy.....	459	687	739
Subsidy without Federal capital investment.....	358	495	789
Assistance to sponsors of housing for low- and moderate-income families.....	13	21	35
Federal construction or acquisition of housing.....	215	223	221
Preventing deterioration of existing housing.....	110	120	140
Research and development on housing.....	8	10	20
Other assistance for housing.....	150	197	178
Total.....	1,261	1,862	732

Units completed.—In combination, Federal housing programs are expected to assist in the completion for occupancy of 989,000 units of new or substantially rehabilitated housing in 1971, compared with 698,000 and 806,000 units in 1969 and 1970, respectively. In addition, these programs will facilitate the sale in 1971 of an estimated 1,018,000 units of existing housing, about the same as in 1969 and 1970. Of the new or rehabilitated units, 418,000 in 1971 will be subsidized for low- and moderate-income families, compared with 151,000 in 1969 and 244,000 in 1970.

Units committed.—The completion or sale of a unit frequently follows by lengthy periods the first commitment on the part of the Federal Government affecting that unit. For example, the agreement to insure a mortgage or provide a subsidy for a multifamily unit may predate by 18 months to 3 years the time when that unit is ready for occupancy. This lag reflects the time required to plan and construct the project. It is commonly much shorter for single-family homes. Because of this lag, the units made available for occupancy in any year largely reflect commitments made by the Government in prior years, and commitments made in any year will result in units becoming available in subsequent years. In 1971, the Federal Government expects to make commitments to assist a total of 1,214,000 units of new and rehabilitated housing, including 545,000 subsidized units

for low- and moderate-income families. This represents a major increase over the 451,000 subsidized units committed in 1970 and the 225,000 units committed in 1969. Commitments to assist the sale of existing houses are expected to total 1,309,000 in 1971, compared to 1,304,000 in 1969 and 1,220,000 in 1970. Of the 1971 total, 52,000 represent subsidized units for low- and moderate-income families, compared to 51,000 in 1970 and 44,000 in 1969.

Table N-3. HOUSING UNITS COMMITTED UNDER FEDERAL PROGRAMS
(in thousands of units)

Type of assistance	New or rehabilitated			Existing		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Guaranteed or insured financing:						
Guaranteed or insured mortgages:						
Low- and moderate-income families.....	35	66	124	10	15	20
Others.....	261	263	300	806	727	826
Insurance on deposits in thrift institutions.....	397	368	385	494	477	464
Direct Federal financing without subsidy.....	5	6	6	10	12	11
Subsidized housing for special groups:						
Subsidy combined with financing:						
Low- and moderate-income families.....	48	41	32			
Others.....	5	19	10	*	*	*
Subsidy without Federal capital investment:						
Low- and moderate-income families.....	142	344	389	34	36	31
Direct Federal construction or acquisition:						
Military family housing.....	8	3	6	*	*	2
Other.....	*	*	*	*		
Less: Estimated duplication ¹	-40	-37	-38	-49	-48	-46
Totals.....	861	1,074	1,214	1,304	1,220	1,309

*Less than 500 units.

¹ Represents estimate of insured or guaranteed mortgages purchased by thrift institutions.

DESCRIPTION OF FEDERAL HOUSING PROGRAMS

The following material describes the various types of Federal programs to aid housing. It follows the organization of the tabular material on budget outlays (table N-2), units committed (table N-3) and units made available (table N-4).

Guaranteed or insured financing.—In terms of total housing units affected, the predominant characteristic of Federal housing programs is an emphasis on facilitating the flow of private mortgage credit through the use of insurance and guarantee programs. Leading examples are the insured loan programs in the Federal Housing Administration of the Department of Housing and Urban Development (HUD) and the Farmers Home Administration of the Department of Agriculture (USDA), the home loan guarantees of the Veterans Administration (VA), and the insurance of deposits in thrift institu-

Table N-4. HOUSING UNITS MADE AVAILABLE UNDER FEDERAL PROGRAMS

(in thousands of units)

Type of assistance	New or rehabilitated			Existing		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Guaranteed or insured financing:						
Guaranteed or insured mortgages:						
Low- and moderate-income families.....	34	58	109	10	15	20
Others.....	166	195	204	541	518	542
Insurance of deposits in thrift institutions.....	397	368	385	494	477	464
Direct Federal financing without subsidy.....	16	9	6	10	11	11
Subsidized housing for special groups:						
Subsidy combined with financing:						
Low- and moderate-income families.....	40	57	71			
Others.....	5	19	10	*	*	*
Subsidy without Federal capital investment:						
Low- and moderate-income families.....	76	129	237	23	38	25
Direct Federal construction or acquisition:						
Military family housing.....	3	8	5	*	*	2
Other.....	*	*	*	*		
Less: Estimated duplication ¹	-40	-37	-38	-49	-48	-46
Totals.....	698	806	989	1,030	1,013	1,018

*Less than 500 units.

¹ Represents estimate of insured or guaranteed mortgages purchased by thrift institutions.

tions by the Federal Savings and Loan Insurance Corporation (FSLIC). Budget outlays from insurance programs are a relatively small part of the total. In HUD mortgage insurance operations and in the FSLIC, fees, premiums, and other revenues generally exceed insurance claims, permitting reserves to be built up to cover possible losses in the future. VA's loan guarantee program generally operates at a loss, as the bulk of the loans now outstanding were guaranteed without the collection of fees. A one-time fee is now collected on most of the new loans guaranteed, in order to cover part of the costs of the program.

The USDA in its housing programs serves as mortgage originator and servicer as well as insurer. In this capacity, it may actually supply a portion of the financing required for the loans it insures, generally on an interim basis pending sale of the loans to private investors. The inventory of loans held is expected to decline by \$694 million in 1971 through the use of a new instrument in the sale of loans. The bulk of the Farmers Home Administration insured housing loan program (all of it in 1971) is addressed to meeting the needs of low- and moderate-income families. This includes some loans (about 25% of the 1971 program) containing an "interest credit" feature, under which the borrower pays reduced interest rates, depending on in-

come. The balance of the 1971 program consists of loans at a fixed interest rate, below the current market rate. In both cases the Government makes up the difference between the rates charged to borrowers and those necessary to place loans with private investors.

Table N-5. FINANCIAL IMPACT OF GUARANTEE AND INSURANCE PROGRAMS (in millions of dollars)

	1969 actual	1970 estimate	1971 estimate
Estimated requirements for funds:			
Federally insured or guaranteed mortgages and public housing bonds originated in the private sector with private financing	12,496	14,918	18,351
Sale to private investors of insured or guaranteed mortgages originated or purchased by Federal agencies	581	936	2,861
Mortgages purchased by Federal agencies	-712	-981	-823
Gross private funds required for federally guaranteed or insured housing financing¹	12,366	14,873	20,389

¹ Includes funds provided by repayments on outstanding mortgages and by payment of claims on defaulted mortgages. In each case, some portion is reinvested in mortgages, reducing the net requirement for funds.

Direct Federal financing without subsidy.—This category includes programs which provide direct loans, or their equivalent in the form of Government purchase of mortgages, but without attaching an explicit subsidy to the loan. These programs are generally designed to serve areas where private mortgage credit is not readily available (e.g., rural areas and small towns) or to finance mortgages which the private market is not prepared to accept (such as mortgages on housing of new and experimental character, or housing in urban renewal areas). While the number of units affected by these programs is small compared to that of the insurance and guarantee programs, the budget impact is larger. This reflects the fact that each unit results in outlays at the time the unit is produced equal to almost the full cost of the unit. In some cases, this budget impact can be reduced through sale of the direct loan to a private investor. The primary unsubsidized direct loan programs are those in the Veterans Administration and portions of the activity of the Special Assistance Fund in HUD's Government National Mortgage Association.

Subsidized housing for special groups: Financing combined with subsidy.—This category covers Federal programs which provide a subsidy while simultaneously providing part or all of the capital financing required for the production of the housing unit. The most common method is the low interest rate direct loan, which is used in several programs in HUD and in the Small Business Administration's Disaster Loan program. Assistance to low- and moderate-income families is the predominant objective in the case of HUD, including, in the case of the Rehabilitation Loan program, helping present owner-occupants restore their housing to standard condition. The SBA program is aimed at assisting the victims of natural disasters. Two other HUD programs (Direct Loans for Housing for the Elderly and GNMA Special Assistance for Low- and Moderate-Income Housing) are being phased out in favor of the much

larger program of Rental Housing Assistance. This latter program (discussed below) relies on private, rather than Federal, financing of the mortgage.

In addition to low-interest loans, there are several programs which provide a one-time capital grant to reduce the cost of housing to the occupant. These include rehabilitation grants provided under HUD's Urban Renewal program and grants for Farm Labor Housing available from the Farmers Home Administration. A total of 18,000 units are expected to be made available under grant programs in 1971, compared to 12,000 in 1970.

Subsidized housing for special groups: Subsidy without Federal capital investment.—This category includes programs under which the Federal Government subsidizes a dwelling unit for which the basic capital financing is provided by private investors at market rates of interest. The programs in this category (Low-Rent Public Housing, Rent Supplements, Rental Housing Assistance and Homeownership Assistance) are expected to add 262,000 units available for occupancy in 1971, representing a large part of the housing for low- and moderate-income families produced in that year. Under these programs, the Federal Government agrees to provide an annual (or monthly) payment on behalf of a specified unit of housing, with the subsidy contract usually running for the life of the mortgage or bond issued to finance the unit. This may be for a period of up to 40 years. In the case of the Homeownership and Rental Housing assistance programs, the payment represents a part of the interest cost on the mortgage. In the case of Low-Rent Public Housing and Rent Supplements, the payment commonly covers both principal and interest on the bond or mortgage and may cover a part of the operating costs as well. In all four programs, the subsidy payment can be flexible, with rising income on the part of the occupant being reflected in a lower subsidy. Outlays for these programs will continue to rise steadily, reaching \$789 million in 1971 as new subsidy contracts are added to the continuing costs of contracts approved in prior years.

Subsidized housing for special groups: Assistance to sponsors of housing for low- and moderate-income families.—This category includes programs of grants and loans to groups developing and operating housing for low- and moderate-income families. Outlays in 1971 are expected to total \$35 million, of which OEO's assistance to housing development corporations represents \$24 million. Also included are programs of assistance to nonprofit sponsors funded in HUD, Agriculture, and the Appalachian Regional Commission, and certain assistance to Indian tribes provided by Interior.

Direct Federal construction or acquisition of family housing.—The predominant activity in this category is the construction of family housing for military personnel, totaling almost 6,500 units to be made available in 1971. This includes a small number of leased units which will be added to the inventory in that year. In addition, about 170 units will be completed for civilian employees of a number of other Federal agencies. This consists of housing for employees who must, of necessity, be stationed in areas where adequate private housing is not available.

Preventing deterioration of the housing stock.—Programs in this category are aimed at maintaining the quality of existing units, rather than producing additional units. These activities are included in the analysis because the quality and durability of the existing supply of homes is a key determinant of the volume of new housing required to meet the physical shelter needs of the Nation. Maintaining units in a structurally sound and livable condition reduces the requirement for replacement units and increases the proportion of new units which constitute a net addition to the housing supply.

This category includes the costs of routine maintenance and repair of the inventory of federally owned housing. These costs are estimated to total about \$124 million in 1971. This category also includes concentrated code enforcement programs and rehabilitation projects (funded in HUD's Urban Renewal program) which assist local efforts to maintain housing quality. Outlays for these programs (\$16 million in 1971) represent only the Federal share of the costs of actually carrying out assisted code enforcement and administering rehabilitation activities. Rehabilitation grants and loans, usually made in conjunction with assisted code enforcement programs and rehabilitation projects, are included in the category of subsidized housing. The cost of certain improvements in physical facilities which may also be provided in a rehabilitation or code enforcement program are not included in the analysis.

Research and development.—Operation Breakthrough, under HUD's authority for Urban Research and Technology is the primary focus for Federal research and development in housing. The objective of this program is to achieve broad advances in market aggregation site acquisition and development, and planning, design and construction of housing. Outlays for Operation Breakthrough are expected to total \$12 million in 1971, while other outlays for research and development in housing will total \$8 million. This latter amount includes programs in HUD (other than Breakthrough), the Department of Agriculture, and the Department of Health, Education, and Welfare.

Statistical and market analysis.—In order to provide policymakers at all levels of Government and the private sector with information on housing needs and production and the condition of financial markets related to housing, the Federal Government maintains an ongoing program of statistical and market analysis. These activities range from short-range analyses of individual housing markets to broad gauge statistics on housing production and mortgage flows and the housing component of the decennial census. Outlays for this category are estimated to total \$16 million in 1971.

Undistributed administrative expenses.—These outlays, totaling \$162 million in 1971, represent the costs of operating programs covering more than one program category, which it is not feasible to divide among categories. The largest item (\$130 million) consists of the routine operating costs, excluding maintenance and repair, of the Defense family housing program.

HOUSING ACTIVITIES OF GOVERNMENT-SPONSORED ENTERPRISES

Two types of Government-sponsored enterprises, outside the budget, are of major importance in housing production. These are the 12 Federal Home Loan banks and the Federal National Mortgage Association (FNMA). Both operate to channel funds into mortgages by borrowing in the capital markets and directing these funds into mortgages. In the case of the Federal Home Loan banks, the investment takes the form of advances to thrift institutions which, in turn, invest the bulk of their assets in home mortgages. FNMA, on the other hand, purchases FHA-insured and VA-guaranteed mortgages directly. Both have the result of increasing the total supply of mortgage financing. The net increase in Home Loan Bank advances in 1971 is expected to total \$2.4 billion, while the net increase in FNMA mortgage holdings is estimated at \$4.6 billion. Both amounts are below the levels estimated for 1970, in anticipation of somewhat easier credit conditions which will require less support for the mortgage market from these institutions.

FEDERALLY ASSISTED PRIVATE INVESTMENT IN HOUSING

The vast bulk of housing in the United States is financed privately, including most of that portion which is federally assisted. Directly or indirectly, Federal housing programs are expected to affect decisions by private investors involving some \$22 billion in 1971. This includes an \$8.4 billion increase in savings at thrift institutions regulated by the Federal Home Loan Bank System which, together with \$2.4 billion in advances from the Home Loan banks, will permit these institutions to increase their housing investments by \$10.8 billion. Of this total, about \$1.2 billion will be in mortgages insured or guaranteed by the Federal Government. Of the remaining \$10.5 billion increase in outstanding guaranteed mortgages, \$4.6 will be held by FNMA and \$0.4 by GNMA, leaving \$5.5 billion for purchase by other private investors, together with \$1.4 billion of tax-exempt notes and bonds financing the construction of low-rent public housing and \$6.7 billion of borrowings by FNMA and the Federal Home Loan banks.

In order to facilitate investment in Government insured or guaranteed mortgages, the Government National Mortgage Association is authorized to guarantee mortgage-backed securities. Under this program, private financial institutions accumulate a supply of mortgages

and sell securities based on these mortgages to other investors, promising to pass on the principal and interest collections. GNMA is expected to guarantee performance by the issuers of \$1 billion of these securities in 1971. This amount will constitute part of the net increase in outstanding guaranteed or insured mortgages shown in table N-6.

**Table N-6. NET FEDERALLY ASSISTED PRIVATE INVESTMENT
IN HOUSING (in millions of dollars)**

	1969 actual	1970 estimate	1971 estimate
Increase in outstanding guaranteed or insured mortgages:			
Federal Housing Administration ¹	4,368	5,201	7,877
Veterans Administration.....	1,558	130	1,888
Farmers Home Administration.....	244	354	1,904
Subtotal.....	6,170	5,685	11,669
Less net increase in holdings by:			
Thrift institutions regulated or insured by the Federal Home Loan Bank System (estimated).....	-650	-950	-1,180
Federal National Mortgage Association.....	-1,665	-5,648	-4,600
Government National Mortgage Association.....	-556	-405	-354
Net from other private investors.....	3,299	-1,318	5,535
Increase in assets of thrift institutions regulated or insured by the Federal Home Loan Bank System.....	5,794	8,097	10,800
Less net increase in advances from Federal Home Loan banks.....	-1,524	-4,487	-2,400
Net from other private investors.....	4,270	3,610	8,400
Increase in outstanding guaranteed public housing bonds and notes.....	878	1,043	1,426
Increase in outstanding borrowings from the public by Government-sponsored enterprises:			
Federal National Mortgage Association.....	² 2,291	5,502	4,441
Federal Home Loan banks.....	1,538	4,780	2,300
Subtotal.....	3,829	10,282	6,741
Total.....	12,276	13,617	22,102

¹ Includes property improvement loans and some nonhousing mortgages.

² Includes \$195 million of net borrowing from the public which occurred prior to the conversion of FNMA to private status.

PART 3

SPECIAL ASPECTS OF FEDERAL
PROGRAMS

INTRODUCTION

Part 3 discusses trends and developments in selected areas of Government activity—aid to State and local governments, public works, and research and development. It groups these three special analyses, those designated O through Q.

Special Analysis O summarizes Federal grants to State and local governments as well as loans and indirect assistance. It traces the development of Federal aids over time and relates them to the finances of both the Federal Government and State and local governments. This analysis also provides a profile of Federal grants by region, and that portion benefiting metropolitan areas.

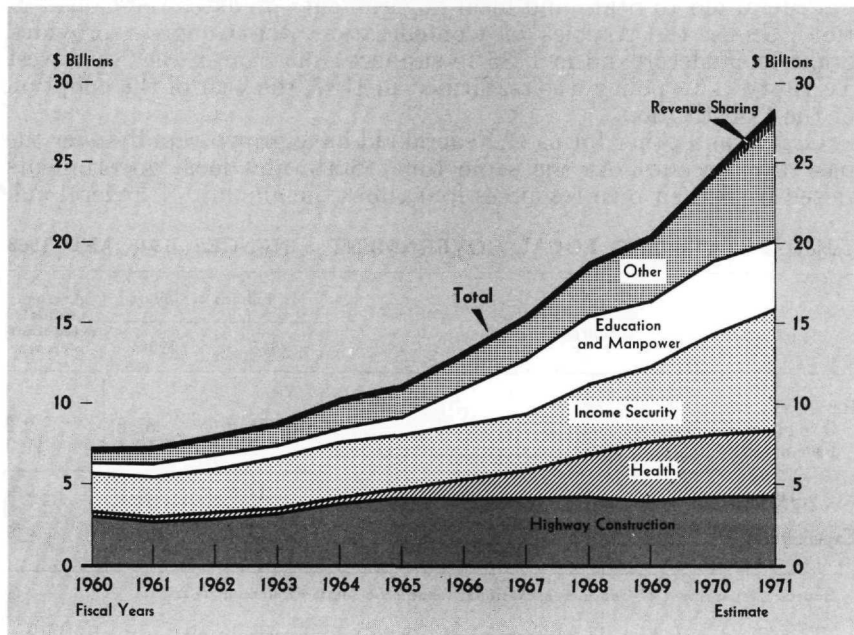
Special Analysis P brings together information on Federal construction and federally aided State and local public works. It also includes information on major Federal programs affecting construction by private cooperatives and nonprofit groups.

Special Analysis Q identifies Federal programs for the conduct of research and development, and for facilities related to such activities. In addition, it provides information on Government-wide activities in the marine and space sciences.

SPECIAL ANALYSIS O

FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Federal Aid to State and Local Governments



HIGHLIGHTS OF THE 1971 AID PROGRAM

In 1971, total Federal aid to State and local governments of \$27.6 billion will be \$3.5 billion more than in 1970, and nearly four times the amount in 1961.

Major steps have been taken in 1969 and 1970 to revise the structure of Federal aid programs as a means of reducing rigidity and overlap, and increasing program effectiveness. Federal aid programs in several major areas have been reformed. Federal aid initiatives in the 1971 budget include:

- The first quarterly installment on revenue sharing of \$275 million;
- The Family Assistance Program, with initial outlays of \$500 million;
- A revamped Food Stamp program of \$1,250 million, reaching an estimated 7.5 million Americans;
- A new environmental financing authority to ease the pressures in State and local bond markets;
- A new 12-year program to assist urban transportation, through \$10 billion of grants to communities to modernize and expand mass transit facilities and services; and
- A \$190 million increase for the Law Enforcement Assistance Administration for broad-purpose block grants to States.

The fastest growing grant programs in 1971 are those to provide medical care for the needy, income support for the poor, and improved public facilities and services in urban centers. Total aids for metropolitan or urban areas will be an estimated \$19 billion in 1971. (Included in these amounts are grants to States that are channeled to urban areas.)

HISTORICAL PERSPECTIVE

Federal aid to State and local governments predates the Constitution. Under the Articles of Confederation, the Congress provided grants of Federal land in 1785 to support education in the Northwest Territory. This policy was reaffirmed in 1787, the year of the adoption of the Constitution.

Grants and other forms of Federal aid have grown rapidly over the past two decades. At the same time, State and local governments raised from their own resources four times the amount of Federal aid.

Table O-1. STATE AND LOCAL GOVERNMENT FINANCES, 1948 AND 1968

Source	In billions of dollars		Average annual percentage increase
	1948	1968	
Revenue:			
Own revenue.....	15.6	87.8	9.0
Federal aid.....	2.0	18.3	11.7
Total.....	17.6	106.2	9.4
Expenditures.....	17.4	107.6	9.5

Source: Department of Commerce; National Income Accounts—Calendar Year.

The Federal-Aid Highway Act of 1956 significantly modified the pattern of aid to State and local governments. It moved commerce and transportation programs to a dominant position in Federal assistance (43% of the total) by 1960.

The increase in human resource programs during the 1961–71 period caused these programs to rise to 46% of Federal aid in 1965 and 59% in 1971. Commerce and transportation declined to 40% in 1965 and 19% in 1971.

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

Function	1950 actual	1955 actual	1960 actual	1965 actual	1971 estimate
Agriculture and rural development.....	5	8	4	5	4
Natural resources.....	2	3	2	2	3
Commerce and transportation.....	21	19	43	40	19
Community development and housing.....	(¹)	3	3	5	11
Education and manpower.....	11	14	10	10	17
Health.....	5	4	4	7	14
Income security.....	55	47	33	29	28
Other.....	1	2	1	2	4
Total.....	100	100	100	100	100

¹ Less than 0.5%.

State-local fiscal problems.—An imbalance exists between public services demands on State and local governments and the revenues produced by their tax systems, which tend to be relatively unresponsive to economic growth.

State and local expenditures, as measured in the national income accounts, rose by \$90 billion from 1948 to 1968, whereas revenue from their own sources increased \$72 billion. Over the same period, State and local debt rose by more than \$110 billion.

State and local governments rely principally on consumer and property taxes, which grow at a rate barely sufficient to keep up with the growth in the economy. In an attempt to meet growing service demands, States made more than 300 rate increases in major taxes over the last decade (1960-69). In calendar year 1969, 36 State legislatures approved new taxes or increased existing ones that will augment tax receipts by a record \$4 billion. This is significantly larger than the \$2.5 billion and \$1.3 billion added to State tax receipts in 1967 and 1965, respectively. Local property taxes were also raised frequently during this period.

Personal income tax receipts, which accounted for 45% of total Federal revenues but only about 8% of total State and local government revenues, are estimated to increase by roughly 15% for every 10% rise in GNP.

The response of the Federal Government to the fiscal plight of State and local governments over the past two decades has been to increase Federal grants from less than \$2 billion in 1948 to over \$18 billion in 1968. While effective in many instances, this rapid growth in Federal grants has been accompanied by:

- Overlapping programs at the State and local level;
- Increased administrative costs;
- Program delays and uncertainty;
- A decline in the authority and responsibility of chief executives, as grants have become tied to functional bureaucracies; and
- Creation of new and frequently competitive State and local governmental institutions.

In recognition of these problems, the administration has proposed basic reforms in the structure of many Federal aid programs. This involves increased emphasis on broader and less conditional forms of aid through revenue sharing and the streamlining of conditional aid through administrative reform and grant consolidation.

SIGNIFICANT FEATURES

Federal aid expenditures will grow \$3.5 billion over 1970, reaching a record level of \$27.6 billion in 1971.

Direct assistance.—The principal forms of existing direct financial assistance to States and localities are grants, shared revenues from natural resource activities, and loans.

In 1971, Federal grants are estimated to reach \$27.2 billion, accounting for 98% of total Federal aid. Shared revenues will account for an additional \$436 million. Loans will provide some \$429 million in net assistance in 1971, not including the lending activity that is being encouraged in the private sector with Federal interest subsidies.

In total, Federal aid now provides 18% of State and local revenues. In terms of direct cash flow, about seven-eighths of the total goes to the States, with the balance going to local jurisdictions. However, the State channels part of this Federal grant money into metropolitan areas.

As shown in table O-3, the Department of Health, Education, and Welfare administers the largest total of Federal aid programs.

Table O-3. FEDERAL-AID OUTLAYS BY AGENCY

(in millions of dollars)

Agency	1969 actual	1970 estimate	1971 estimate
Executive Office of the President.....	*	*	-----
Funds appropriated to the President:			
Economic opportunity programs.....	1,406.5	1,371.2	895.5
Other (primarily Appalachia).....	162.2	332.6	316.8
Department of Agriculture.....	1,534.0	1,943.2	2,756.3
Department of Commerce.....	150.4	161.6	178.8
Department of Defense:			
Military.....	34.4	32.4	34.2
Civil.....	17.7	23.0	10.7
Department of Health, Education, and Welfare.....	10,123.8	11,747.8	12,762.1
Department of Housing and Urban Development.....	1,109.3	2,107.3	2,560.3
Department of the Interior.....	401.7	494.4	753.7
Department of Justice.....	28.4	156.9	338.0
Department of Labor.....	629.3	703.9	1,471.0
Department of State.....	6.3	5.5	5.9
Department of Transportation.....	4,401.6	4,698.5	4,791.3
Treasury Department.....	115.3	130.0	136.0
Veterans Administration.....	14.5	20.2	22.8
National Capital region ¹	92.0	147.4	262.4
Other.....	27.5	43.3	53.1
Allowance for revenue sharing.....			275.0
Total outlays for Federal aid.....	20,254.9	24,119.2	27,623.9

¹ Includes Federal Payments to the District of Columbia in the following amounts: 1969, \$85.9 million; 1970, \$127.5 million; 1971, \$140.3 million.

Indirect assistance.—Apart from direct Federal aid, many other Federal activities that are not included in this analysis affect the finances of State and local governments. Examples are State and local participation in Federal employee training programs and technical assistance provided by Federal agencies. States and localities also have first call on obtaining (at relatively nominal costs) surplus land and equipment of the Federal Government.

State and local governments also receive special benefits through the tax system. Interest cost savings that result from the exemption of interest on State and local bonds from Federal income taxes are estimated at \$2.05 billion in 1969. The Federal credit for payment of State inheritance and estate taxes has encouraged States to make more effective use of this resource at a Federal revenue cost of \$350 million. Similarly, since taxpayers may deduct local property taxes from Federal taxable income, a portion of State and local taxes is offset by a reduction in the taxpayers' Federal liability. In 1969, the value of this deduction in terms of tax savings to individuals was approximately \$2.25 billion. Other State and local taxes deducted from Federal tax liability amounted to an additional \$4.25 billion with approximately half accounted for by personal income taxes in 1969.

NEW DIRECTIONS FOR THE SEVENTIES

The Federal aid policies of the administration have been summarized under the heading the New Federalism, which encompasses:

- *Responsible decentralization.*—Efforts are being made to support and strengthen leadership at the State and community levels through measures such as revenue sharing, the proposed Manpower Training Act of 1969, and the revision of grant program procedures.
- *Basic systems' reform.*—Basic reform is being undertaken in major functional areas as in the case of welfare, unemployment insurance, and mass transit.
- *Effective implementation of Government policies.*—Management processes for Federal aid programs are being overhauled.

Revenue sharing.—Major characteristics of the administration's revenue sharing proposal are:

- *Predictability.*—The amounts to be shared will be based on a specified percentage of the personal income tax base.
- *Expanding scale.*—Along with the natural growth in the base, the percentage applied to the base will grow in amount from one-sixth of 1% for the last half of 1971, to 1% by 1976. The absolute amounts will rise from \$275 million in 1971 to an estimated \$4 billion for 1975. The first quarterly payment of \$275 million will be made in the final quarter of 1971, with the second payment under the 1971 appropriation to be made early in 1972.
- *Unconditional.*—Revenue sharing funds will not be tied to specific programs, processes, or requirements. The allocation of funds will be based on formulas prescribed by law and linked to data prepared on a regular basis by the Department of Commerce.
- *Distribution by need and effort.*—The amount to be shared with any given State will be based on State population, adjusted for combined State and local tax effort. States with greater relative revenue effort will get more than they would otherwise. (Table O-4 shows the State distribution of revenue sharing based on a \$1 billion fund to facilitate percentage comparisons.)
- *Guarantees funds for cities and counties.*—To place a minimum guarantee on the share of funds that cities, counties, and townships would receive, the administration's bill stipulates that States must "pass-through" to each such local jurisdiction the same relative share of the total State allocation that the local jurisdictions' revenue total bears to total State-local revenue.

Table O-4. STATE AND LOCAL SHARES UNDER ADMINISTRATION
REVENUE SHARING PROPOSAL

[Illustrative outlays of \$1 billion]

State	In millions of dollars		
	State total	Local share	State share
Alabama.....	18.0	4.5	13.5
Alaska.....	1.6	.5	1.1
Arizona.....	10.3	2.2	8.1
Arkansas.....	10.0	1.6	8.4
California.....	107.3	33.2	74.0
Colorado.....	11.9	2.9	8.9
Connecticut.....	12.1	6.0	6.1
Delaware.....	2.8	.4	2.4
District of Columbia.....	4.5	4.5	-----
Florida.....	31.7	9.2	22.4
Georgia.....	22.3	4.9	17.3
Hawaii.....	4.8	1.4	3.5
Idaho.....	4.3	.9	3.4
Illinois.....	42.8	10.7	32.1
Indiana.....	24.3	5.3	19.1
Iowa.....	15.2	3.8	11.4
Kansas.....	12.3	3.8	8.6
Kentucky.....	15.4	3.2	12.1
Louisiana.....	22.2	3.9	18.3
Maine.....	4.7	2.0	2.7
Maryland.....	17.4	7.9	9.5
Massachusetts.....	26.9	13.9	13.0
Michigan.....	42.8	10.5	32.2
Minnesota.....	21.5	6.0	15.6
Mississippi.....	13.4	3.2	10.2
Missouri.....	20.5	5.0	15.5
Montana.....	4.0	1.5	2.5
Nebraska.....	6.9	2.1	4.8
Nevada.....	2.6	.9	1.7
New Hampshire.....	2.9	1.0	2.0
New Jersey.....	30.2	11.9	18.2
New Mexico.....	6.6	1.1	5.5
New York.....	108.5	45.6	62.9
North Carolina.....	24.3	7.6	16.7
North Dakota.....	4.6	1.2	3.4
Ohio.....	43.5	12.0	31.5
Oklahoma.....	13.5	2.8	10.7
Oregon.....	11.3	2.2	9.1
Pennsylvania.....	50.3	12.2	38.1
Rhode Island.....	3.9	1.7	2.2
South Carolina.....	12.6	1.9	10.7
South Dakota.....	4.2	1.2	2.9
Tennessee.....	18.5	8.0	10.4
Texas.....	49.6	12.5	37.1
Utah.....	6.1	1.1	4.9
Vermont.....	2.3	.4	1.9
Virginia.....	19.8	8.0	11.8
Washington.....	17.9	3.1	14.8
West Virginia.....	8.9	1.4	7.5
Wisconsin.....	24.0	6.8	17.1
Wyoming.....	2.2	.5	1.6
United States total ¹	1,000.0	300.1	699.9

¹ Detail may not add due to rounding.

Improving the delivery system.—Major efforts are also underway to improve the delivery system for Federal assistance programs. They include reorganization within the executive branch, proposals for consolidation of related assistance programs, joint funding, and the restructuring of existing programs. A concerted effort is being made to decentralize decisionmaking for Federal assistance programs and to simplify administrative requirements and make them more consistent.

Executive reorganization.—Policy implementation must be effective if the services are to reach and benefit the intended recipient. A beginning has been made in the area of organization through steps taken to:

- Modify the regional boundaries of the major domestic agencies in the field so that their headquarter cities are the same and the regions which they cover conform;
- Restructure the Manpower Administration of the Labor Department and the Office of Economic Opportunity;
- Create the Office of Intergovernmental Relations in the Office of the Vice President; and
- Strengthen the Office of Executive Management in the Bureau of the Budget.

Administrative improvements.—The proliferation of grant programs has impaired our ability to achieve program goals efficiently. As a major step toward improving administration, proposals have been advanced which would:

- Authorize the President to consolidate closely related programs if Congress, within 60 days, does not disapprove his proposal;
- Provide for joint funding of closely related grant programs in a single package to achieve a particular objective within a given agency; and
- Authorize joint funding of projects across agency lines.

Within the executive branch, the Bureau of the Budget and the 10 Federal agencies on the Urban Affairs Council initiated the "Federal Assistance Review" to decentralize and simplify the administration of Federal aid programs. Under this review, technical assistance teams, consisting of representatives from the Bureau of the Budget and other Federal agencies, are also providing recommendations to State and local governments for improving their capacity for the coordination, planning, and evaluation of Federal aid programs.

IMPACT OF FEDERAL AID

Federal aid in relation to Federal outlays and State-local revenues.—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 has risen sharply as a proportion of Federal outlays in the past decade—going from 7% of the total in 1961 to an estimated 14% in 1971. In terms of civilian domestic programs, 23% of Federal outlays will take the form of aids to State and local governments in 1971. Because of successful efforts by State and local governments to increase revenues from

their own sources, the relative increase in the impact of Federal aid has not been quite as marked for the recipient State and local governments as it has been for the Federal Government. Nevertheless, Federal aid has risen as a proportion of State and local revenues moving from 13% in 1960 to an estimated 18% in 1970.

Table O-5. **FEDERAL-AID OUTLAYS IN RELATION TO TOTAL FEDERAL OUTLAYS AND TO STATE-LOCAL REVENUE**

Fiscal year	Federal aid			
	Amount (millions)	As a percent of—		
		Total Federal outlays	Domestic Federal outlays ¹	State-local revenue ²
1959.....	6,669	7.2	15.9	13.5
1960.....	7,040	7.6	16.4	12.7
1961.....	7,112	7.3	15.4	12.0
1962.....	7,893	7.4	15.8	12.3
1963.....	8,634	7.8	16.5	12.5
1964.....	10,141	8.6	17.9	13.4
1965.....	10,904	9.2	18.4	13.4
1966.....	12,960	9.7	19.2	14.2
1967.....	15,240	9.6	19.5	15.3
1968.....	18,599	10.4	20.9	16.9
1969.....	20,255	11.0	21.3	17.4
1970 estimate.....	24,119	12.2	21.8	18.2
1971 estimate.....	27,624	13.8	23.0	(3)

¹ Excluding outlays for defense, space, and international programs.

² Excludes State-local revenue from publicly-operated utilities, and liquor stores.

³ Not available.

Matching requirements.—The pattern of State and local spending is influenced to some extent by Federal grants requiring the recipient government to match Federal-aid funds with its own resources. The matching, or cost-sharing requirements are of two kinds: variable matching (which takes account of the differing abilities of recipient governments to support aided functions), and fixed ratio matching (under which each grantee is required to share in the same proportion of program cost).

In 1966, State and local governments provided an estimated \$5.5 billion of their own funds to receive the \$13 billion of Federal grants spent in that year. This means that, on the average, recipients raise \$1 for every \$2 forthcoming from the Federal Government. However, State and local government matching funds account for only about 10% to 14% of general expenditure out of their own revenue sources. Public assistance and highways account for the largest share of total required matching funds. In 1971, required matching funds will rise to an estimated range of \$14 billion to \$16 billion.

Regional distribution of Federal aids.—In 1968, the distribution of Federal aids on a regional basis ranged from a high of more than \$4 billion in the Southeast to a low of \$621 million in the Rocky Mountain area. When account is taken of population differences, the Rocky Mountain area ranked highest with grant payments reaching nearly \$130 per capita, while the Great Lakes and Mideast regions were lowest with \$67 and \$87 per capita, respectively. Population density and per capita income are the two major factors that accounted for this wide variation.

Generally, the level of per capita aid is inversely related to population density. The population density of the Rocky Mountain area is the lowest of the regions, per capita aid is highest. At the other end of the scale, per capita aid is lowest in the Great Lakes area and the Mideast where population density is greatest. This inverse relationship stems primarily from aid for highway construction and other grants where program needs are not a direct function of population density.

Table O-6. REGIONAL DISTRIBUTION OF FEDERAL AID, FISCAL 1968

Region	Total (in millions of dollars)	Per capita	Percent of State and local govern- ment general revenue
New England.....	1,072	93.63	18.2
Mideast.....	3,729	87.48	15.5
Great Lakes.....	2,646	66.82	14.2
Plains.....	1,455	90.59	17.8
Southeast.....	4,110	94.03	22.8
Southwest.....	1,621	100.27	22.4
Rocky Mountain.....	621	129.69	22.9
Far West.....	2,853	109.36	16.3
United States.....	18,601	93.07	18.0

¹ Includes \$497 million for Puerto Rico, Virgin Islands, and other adjustments.

Sources: "Annual Report of the Secretary of the Treasury," and "Governmental Finances in 1967-68," Bureau of the Census. These reports provide additional information concerning State distribution of Federal grants.

Equalization.—Per capita aid is also inversely related to per capita income. There are two reasons for this relationship. Some grant programs, such as grants for hospital construction, require lower matching by the relatively poorer States. Other programs, such as those for public assistance and elementary and secondary education, are designed as aids to the disadvantaged and tend to flow to States having proportionately more individuals with lower incomes.

The latter tendency reflects the growing impact of fiscal equalization provisions common to a number of the more recent grants programs. These provisions are designed to help States and localities with limited resources participate more effectively in many jointly financed programs. Federal aids on the whole are mildly equalizing, being inversely related to per capita income. This equalizing tend-

ency decreased from 1967 to 1968—the latest year for which data are available for State and local governments.¹

Aid in urban areas.—Between 1960 and 1968, more than 75% of the population growth occurred in the metropolitan complexes. Today, about two-thirds of the population lives in 233 metropolitan areas.

In 1971, approximately \$19 billion of the \$28 billion of total Federal aids will be spent in standard metropolitan statistical areas (SMSA's). This is an increase of about \$15 billion or nearly 300% over the amount of aid provided to these urban areas in 1961, and almost \$5 billion in the short span of only 3 years.

The major increases in Federal Grants for urban areas occur in law enforcement, Model Cities, and public assistance. This analysis includes programs that provide financial assistance to urban communities to help them meet their public service needs. It also includes grants made to States that subsequently benefit metropolitan areas.

Standard metropolitan statistical areas (SMSA's) were chosen as the definition of "urban" because they are the urban unit for which information on Federal aids is most generally available. These areas cover the bulk of the urban population and place heavy pressure on public service requirements: high population density and rapid population growth. The amounts shown in table O-7 are approximations based on the best information readily available.

There are a number of other Federal programs that have an important bearing on urban development including direct Federal construction and various loan and loan insurance activities. No attempt has been made to add up all the various forms of funds. However, the Department of Housing and Urban Development estimates that the total Federal financial commitment for urban social and community development aids is about \$44 billion in 1971—compared to \$21 billion in 1964. The Department's figures indicate the magnitude of Federal financial involvement in communities of 2,500 population or over, as measured by obligations or commitments—including loans insured or guaranteed.

While the tabulations are not fully comparable, the estimates of the Department of Housing and Urban Development do serve to put in perspective the dimensions of urban-area expenditures not covered by this analysis.

Because of limitations of the data, it is not possible to trace funds directly from the Federal Government to most metropolitan areas. However, a pilot study conducted in San Francisco traced \$23 million that went directly to the city in 1968 and an additional \$41 million that went through the State or other related intervening jurisdictions, subsequently benefiting the city. The total of \$64 million accounted for 10% of San Francisco's total revenues in that year.

In recent years, the States have become increasingly responsive to the needs of the urban areas. There are now 27 State Offices or Councils of Community Affairs. Many other States have special advisors to coordinate State aid to urban areas.

¹ Excluding Alaska, Hawaii, and the District of Columbia, the correlation between per capita grants and per capita income in 1967 was -0.338 . This equalizing effect decreased in 1968 with the correlation coefficient still negative at -0.182 .

One of the most effective grants in terms of allocating funds inversely to income is title I of the Elementary and Secondary Education Act, with more than half of the variation in these grants among the States explained by variations in per capita income. (The simple correlation coefficients were -0.747 in 1967 and -0.714 in 1968.)

Table O-7. FEDERAL-AID OUTLAYS IN URBAN AREAS (in millions of dollars)

Function and program	1961 actual	1964 actual	1969 actual	1971 estimate
National defense	10	28	30	31
Agriculture and rural development:				
Donation of surplus commodities.....	128	231	313	431
Other.....	27	40	104	155
Natural resources:				
Water pollution control.....	24	8	79	161
Other.....	30	10	101	205
Commerce and transportation:				
Economic development.....		158	104	139
Highways.....	1,398	1,948	2,225	2,349
Airports.....	36	36	83	71
Urban mass transportation.....			122	231
Other.....	1	5	5	3
Community development and housing:				
Community action program.....			432	449
Urban renewal.....	106	159	786	776
Public housing.....	105	136	257	478
Water and sewer facilities.....		36	52	95
Model Cities.....			8	450
Other.....	2	17	75	102
Education and manpower:				
Head Start and Follow Through.....			256	265
Elementary and secondary.....	222	274	1,262	1,258
Higher education.....	5	14	210	184
Vocational education.....	28	29	179	217
Employment security administration.....	303	344	449	593
Manpower activities.....		64	530	712
Other.....	3	7	77	162
Health:				
Hospital construction.....	48	66	89	87
Regional medical program.....			19	18
Mental health.....	4	8	50	65
Maternal and child health.....	18	34	139	170
Comprehensive health planning and services.....	29	48	80	120
Health educational facilities.....			106	156
Medical assistance.....		140	1,713	2,141
Health manpower.....			28	68
Other.....		4	54	68
Income security:				
Vocational rehabilitation.....	37	61	247	408
Public assistance.....	1,170	1,450	3,022	4,094
Child nutrition, special milk and food stamps.....	131	168	482	969
Other.....	3	16	148	160
General government:				
Law enforcement.....			17	237
National Capital region.....	25	38	85	140
Other.....		9	27	146
Other functions		2		
Revenue sharing				184
Total, aids to urban areas	3,893	5,588	14,045	18,748

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS¹
(expenditures in millions of dollars)

Agency and program	Functional code	1969 actual	1970 estimate	1971 estimate
National defense:				
Executive Office of the President: Office of Emergency Preparedness—Federal contributions to State and local planning.....	059	*	*	-----
Department of Defense—Military:				
Civil defense shelters and financial assistance.....	051	26.1	24.7	23.2
Construction of Army National Guard centers.....	051	8.4	7.7	11.0
Atomic Energy Commission.....	058	5.7	9.6	7.6
Total, national defense.....		40.1	42.0	41.8
International affairs and finance:				
Department of State:				
East-West Cultural and Technical Interchange Center.....	153	6.1	5.2	5.6
International Center, Washington, D.C.....	151	-----	.3	.3
Total, international affairs and finance.....		6.1	5.5	5.9
Agriculture and rural development:				
Department of Agriculture:				
Commodity Credit Corporation and Consumer and Marketing Service: Removal of surplus agricultural commodities and value of commodities donated.....	351	609.7	549.4	692.2
Rural water and waste disposal facilities.....	352	27.9	34.0	30.8
Mutual and self-help housing.....	352	-----	1.3	2.1
Rural housing for domestic farm labor.....	352	2.8	5.7	6.0
Resource conservation and development.....	354	7.2	8.4	9.9
Consumer protective programs.....	355	10.2	23.3	25.1
Agricultural Research Service: Grants for basic scientific research.....	355	8.9	8.7	78.5
Agricultural experiment stations.....	355	58.0	60.2	0.7
Cooperative agricultural extension service.....	355	80.9	111.2	148.4
Payments to States, territories, and possessions, Consumer and Marketing Service.....	355	1.6	1.6	1.6
Total, agriculture and rural development.....		807.2	803.8	995.3
Natural resources:				
Department of Agriculture:				
Watershed protection and flood prevention.....	401	81.5	97.7	103.1
Grants for forest protection, utilization, and basic scientific research.....	402	20.8	24.6	24.3
National forest and grassland funds; payments to States and counties (shared revenue).....	402	52.9	79.1	86.6
Assistance to States for tree planting.....	402	.9	1.0	1.0
Department of Defense—Civil: Corps of Engineers:				
Payment to California, flood control.....	401	15.1	20.4	7.9
Payments to States, Flood Control Act of 1954 (shared revenue).....	401	2.7	2.6	2.8
Department of the Interior:				
Water pollution control.....	401	161.1	192.3	393.5
Payments to States and counties from grazing receipts, grasslands, and sales of public lands (shared revenue).....	402	1.3	1.6	1.8
Bureau of Reclamation:				
Grants.....	401	-----	.4	-----
Payments to Arizona, Nevada, and Klamath reclamation area (shared revenue).....	401	.7	.8	.8

See footnotes at end of table.

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS—Con.

(expenditures in millions of dollars)

Agency and program	Functional code	1969 actual	1970 estimate	1971 estimate
Natural resources—Continued				
Department of the Interior—Continued				
Office of Saline Water.....	401	.3	.5	-----
Payments from grant lands: Oregon, California, and Coos and Douglas Counties (shared revenue).....	402	25.6	32.1	32.0
Mineral Leasing Act payments (shared revenue).....	403	51.4	53.9	58.0
Mine drainage and solid waste disposal.....	403	-----	.1	.1
Aid for commercial fisheries.....	409	5.6	7.6	6.2
Payment to Alaska from Pribilof Island fund (shared revenue).....	409	.3	.3	.1
Fish and wildlife restoration and management.....	405	6.2	7.9	8.6
Wildlife refuge fund and grasslands payments (shared revenue).....	405	30.8	33.0	47.0
Outdoor recreational areas (Land and Water Conservation Fund).....	405	44.4	72.8	88.6
Preservation of historic properties.....	405	*	.8	5.0
Department of State: Pacific Halibut Commission.....	409	.3	-----	-----
Federal Power Commission: Payments to States (shared revenue).....	401	*	*	*
Tennessee Valley Authority: Payments in lieu of taxes (shared revenue).....	401	14.5	16.1	20.0
Water Resources Council.....	401	2.4	2.4	3.0
Total, natural resources.....	-----	517.9	647.0	889.4
Commerce and transportation committee:				
Funds appropriated to the President:				
Public works acceleration.....	507	2.0	4.2	-----
Appalachian development.....	507	154.9	243.4	271.8
Department of Commerce:				
State marine schools.....	502	.4	.4	.4
Office of State Technical Services.....	506	4.4	4.0	3.0
Promotion of tourism.....	506	-----	-----	.5
National Bureau of Standards: Research on fire prevention through improvement of housing construction.....	506	.2	.4	.4
Natural gas pipeline safety.....	506	-----	-----	1.0
Economic development assistance.....	507	145.3	156.8	174.5
Department of the Interior: Resources management.....	507	1.3	1.7	6.2
Department of Transportation:				
Chamizal Memorial Highway.....	503	*	4.0	1.0
Forest and public lands highways.....	503	38.0	31.7	32.6
Highway beautification.....	503	20.3	21.9	24.2
Highway safety.....	503	18.4	64.0	63.1
Federal-aid highways (trust fund).....	503	4,085.1	4,353.9	4,270.4
Urban mass transportation facilities.....	503	135.9	129.8	256.5
Federal-aid airport program.....	501	103.7	90.0	89.0
Airports planning and development.....	501	-----	2.3	50.0
Other.....	503	.2	.9	3.5
Total, commerce and transportation.....	-----	4,710.1	5,109.4	5,248.0
Community development and housing:				
Funds appropriated to the President:				
Office of Economic Opportunity: Community Action programs.....	551	615.0	541.3	561.1

See footnotes at end of table.

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS—Con.
(expenditures in millions of dollars)

Agency and program	Functional code	1969 actual	1970 estimate	1971 estimate
Community development and housing—Continued				
Department of Housing and Urban Development:				
Model city grants.....	551	9.3	285.3	500.0
Urban renewal.....	552	533.8	1,049.0	1,035.0
Open space land and urban beautification.....	552	43.3	55.0	71.0
New community assistance.....	552		.5	2.0
Grants for basic water and sewer facilities.....	553	80.2	119.0	146.0
Grants for neighborhood facilities.....	553	10.6	26.0	38.0
Advance acquisition of land.....	553	.1	1.0	2.0
Urban planning grants.....	554	32.4	44.0	45.0
Urban information and technical assistance.....	554	.8	1.4	
Community development training programs.....	554	.6	3.4	4.4
Low-rent public housing program.....	555	342.7	460.7	637.7
National Homeownership Foundation.....	555			.3
Alaska housing.....	555	1.0	1.0	
Total, community development and housing.....		1,669.8	2,587.6	3,042.2
Education and manpower:				
Funds appropriated to the President: Office of Economic Opportunity:				
Work and training programs.....	604	471.7	514.5	(2)
Head Start and Follow Through.....	601	319.8	315.4	331.4
Department of Housing and Urban Development:				
College housing.....	602	53.1	61.0	79.0
Department of Health, Education, and Welfare:				
Elementary and secondary education.....	601	1,404.3	1,359.0	1,676.3
(Portion for educationally deprived children).....	601	(1,073.3)	(1,140.0)	(1,249.0)
Assistance to schools in federally affected areas.....	601	398.0	397.0	122.0
Education of the handicapped.....	601	22.1	26.5	24.9
Civil rights education.....	601	1.4	11.1	20.5
Higher education activities.....	602	349.6	352.6	306.5
(Portion to private institutions).....	602	(68.6)	(64.4)	(59.2)
Vocational education.....	603	255.4	257.4	309.6
Libraries and community services.....	608	67.8	84.3	52.2
Special institutions for the blind and deaf.....	608	1.3	1.3	1.4
Corporation for Public Broadcasting.....	608	5.0	15.0	22.5
Education professions development.....	601	26.5	84.0	93.4
Work incentive activities.....	604	30.6	132.8	193.0
Department of Labor:				
Manpower development and training activities.....	604	41.2	38.1	44.3
Manpower Training Act.....	604			696.0
Grants to States for administration of employment security programs (trust fund).....	609	588.1	665.8	730.7
Department of Interior: Bureau of Indian Affairs:				
Education and welfare services.....	601	13.5	20.0	21.7
National Foundation on the Arts and Humanities:				
Other.....	600	14.1	7.5	4.9
Total, education and manpower.....		4,063.5	4,342.5	4,730.4

See footnotes at end of table.

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS—Con.
(expenditures in millions of dollars)

Agency and program	Functional code	1969 actual	1970 estimate	1971 estimate
Health:				
Department of Health, Education, and Welfare:				
Hospital construction.....	651	254.6	272.0	249.6
(Portion to private, nonprofit institutions).....	651	(127.3)	(140.1)	(123.2)
Health manpower.....	651	35.4	59.3	85.2
Comprehensive health planning and services.....	650	118.8	156.7	181.8
Regional medical programs.....	650	26.6	27.0	26.3
Construction of health educational facilities.....	651	133.4	190.9	195.8
Mental health.....	651	62.2	70.1	81.4
Health services.....	651	25.8	16.4	7.1
Environmental health.....	653	32.7	42.5	49.1
Dental health care.....	651	.3	4.2	4.9
Indian health services and facilities.....	652	.8	2.0	1.4
Patient care and health services.....	652	1.6	1.2	1.2
Family planning service.....	653			4.0
Communicable and chronic diseases.....	653	14.5	3.6	.5
Maternal and child health.....	652	199.2	189.5	207.9
Medical assistance.....	652	2,284.7	2,612.4	2,855.5
Other.....	651	2.2	1.7	
Total, health.....		3,192.7	3,649.6	3,951.6
Income security:				
Funds appropriated to the President: Disaster relief.....	703	6.8	85.0	50.0
Public assistance:				
Income maintenance payments.....	703	3,652.3	4,368.4	4,889.5
Social services for welfare recipients.....	703	343.3	497.5	531.1
Juvenile delinquency.....	703	.8	6.3	9.5
Vocational rehabilitation.....	703	352.8	499.0	561.6
Administration on Aging.....	703	11.3	15.2	13.5
Food stamp.....	702	234.3	558.5	1,218.8
Child nutrition program and special milk.....	702	336.0	378.6	327.1
Total, income security.....		4,937.7	6,408.5	7,601.0
Veterans benefits and services:				
Veterans Administration:				
Aid to State homes.....	804	12.5	15.1	16.8
Grants for construction of State nursing homes.....	804	1.8	4.0	5.0
Administrative expenses.....	804	.2	1.1	.9
Total, veterans benefits and services.....		14.5	20.2	22.8
General government:				
Department of the Interior:				
Grants to territories.....	909	46.6	57.5	71.9
Internal revenue collections, Virgin Islands (shared revenue).....	909	12.6	11.2	12.2
Department of Justice: Law enforcement assistance.....	908	28.4	156.9	338.0
Treasury Department:				
Tax collections for Puerto Rico (shared revenue).....	910	80.2	87.0	87.0
Bureau of Customs: Refunds, transfers and expenses of operation, Puerto Rico and the Virgin Islands (trust fund share revenue).....	904	35.1	43.0	49.0

See footnotes at end of table.

Table O-8. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS—Con.
(expenditures in millions of dollars)

Agency and program	Functional code	1969 actual	1970 estimate	1971 estimate
General government—Continued				
National Capital region:				
Federal payment to District of Columbia.....	909	85.0	127.4	140.3
Washington metropolitan area transit program.....	909	6.1	19.9	122.1
Dulles sewer project.....	909	.9	.1	-----
Total, general government.....		295.0	503.1	820.5
Allowance for revenue sharing.....				275.0
Total, grants and shared revenues.....		20,254.9	24,119.2	27,623.9

*Less than \$500 thousand.

¹ Grants-in-aid unless otherwise specified. Excludes loans which are shown separately in table O-9.

² Manpower programs transferred to Labor Department.

Table O-9. FEDERAL LOANS TO STATE AND LOCAL GOVERNMENTS

Agency and program	Disbursements			Net outlays		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Agriculture and rural development:						
Department of Agriculture:						
Soil Conservation Service.....	0.8	0.5	-----	0.8	0.5	-----
Farmers Home Administration.....	64.6	71.5	53.5	62.7	65.6	25.1
Total, agriculture and rural development.....	65.4	72.0	53.5	63.5	66.1	25.1
Natural resources:						
Department of Agriculture: Soil conservation.....						
	1.3	1.9	.6	1.3	1.9	.6
Department of the Interior: Reclamation loans.....						
	5.7	5.1	5.3	4.4	3.7	3.9
Total, natural resources.....	7.0	7.0	5.9	5.7	5.6	4.5
Commerce and transportation:						
Department of Commerce: Economic development assistance.....						
	18.6	37.6	23.2	18.1	36.6	22.0
Department of Transportation:						
Mass transportation facilities.....		5.0	-----	-.2	4.8	-.3
Highway construction.....		40.0	35.0	-----	40.0	35.0
Total commerce and transportation.....	18.6	82.6	58.2	17.9	81.4	56.7

See footnotes at end of table.

Table O-9. FEDERAL LOANS TO STATE AND LOCAL GOVERNMENTS—Con.

Agency and program	Disbursements			Net outlays		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Community development and housing:						
Department of Housing and Urban Development:						
Renewal and housing assistance.....	513.2	992.5	884.5	50.0	6.8	58.3
Metropolitan development.....	53.0	49.4	43.6	42.5	38.3	32.4
Total, community development and housing.....	566.2	1,041.9	928.1	92.5	45.1	90.7
Education and manpower:						
Department of Health, Education, and Welfare:						
Higher education activities.....	41.2	35.9	41.0	39.7	33.7	38.5
Department of Housing and Urban Development: College housing.....	105.0	90.0	72.0	81.7	65.6	46.9
Total, education and manpower.....	146.2	125.9	113.0	121.4	99.3	85.4
General government:						
Department of Defense—Civil: Ryukyu Islands.....					— .2	— .4
Department of the Interior: Administration of Territories.....	7.4	4.8	5.3	7.1	4.4	4.9
Department of Justice: Law enforcement facilities.....	2.4	13.7	18.0	2.4	13.7	18.0
General Services Administration: General activities.....				—1.4	—1.4	—1.4
District of Columbia:						
Capital outlays.....	67.4	109.0	149.9	64.8	103.3	145.9
Other.....	40.4	40.4	40.4			
National Capital Planning Commission.....		.1		—*	.1	
Total, general government.....	117.6	168.0	213.6	72.9	119.9	167.0
Total.....	921.0	1,497.4	1,372.4	373.9	417.4	429.4

*Less than \$500 thousand.

SPECIAL ANALYSIS P

FEDERAL PUBLIC WORKS ACTIVITIES

To aid in understanding the Federal role in construction programs of the Federal, State, and local governments, this analysis brings together information on budget authority and outlays for direct Federal public works and for Federal grants and loans to assist State and local construction. The analysis also includes a separate tabulation of outlays for major Federal programs to aid construction by private cooperatives and nonprofit groups. Federal activities that affect the level of private construction, such as Federal procurement, leases, loans, loan guarantees, interest subsidies, and tax concessions, are not included.

Summary and background.—Federal outlays for public works are estimated to reach \$11.3 billion in 1971, about \$1 billion more than in 1970. All of the increase will be in civil construction programs. Outlays for defense public works will be held to about the same level as in 1970, but will be \$221 million below the 1969 level.

Larger outlays for civil public works reflect primarily budget recommendations for expansion in selected program areas to meet pressing economic and environmental problems. Major increases will be for airways and airports, urban mass transit facilities, and waste treatment plants. Outlays for water resources and power projects are also expected to rise as projects started in earlier years reach higher construction levels. Most other construction programs are being held at or below their 1970 levels.

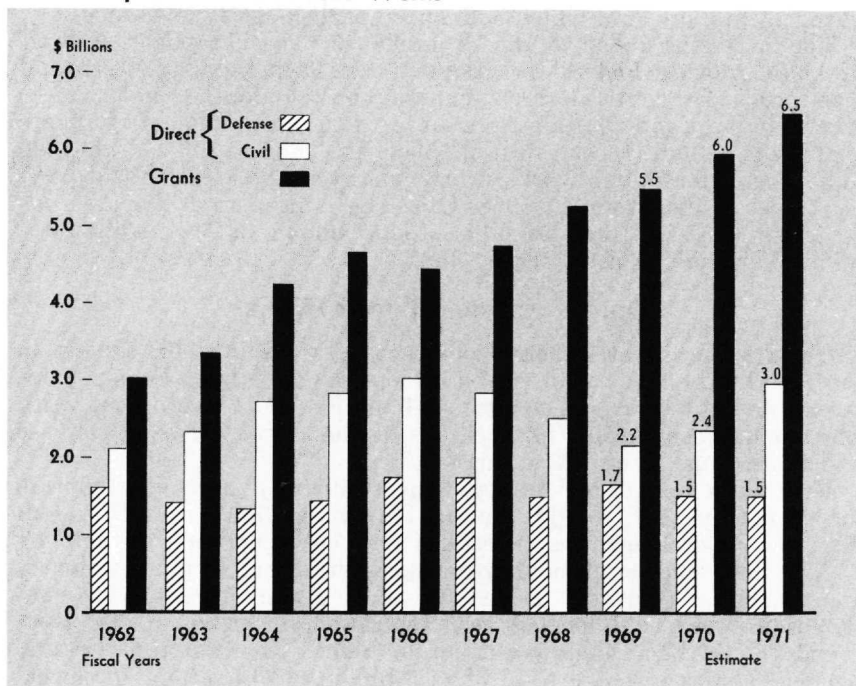
Table P-1 shows Federal outlays for public works, including net lending, over a 10-year period; the accompanying chart indicates trends in outlays for the three major segments—grants in aid, direct Federal civil works, and defense construction.

Table P-1. FEDERAL OUTLAYS FOR PUBLIC WORKS, 1962-71
(in millions of dollars)

Fiscal year	Total Federal outlays	Direct Federal construction			Grants	Net lending
		Total	Civil	Defense		
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.....	9,572	4,483	2,752	1,731	4,730	359
1968.....	9,520	3,972	2,460	1,513	5,264	284
1969.....	9,683	3,932	2,186	1,746	5,479	272
1970 estimate.....	10,336	3,964	2,426	1,538	6,048	324
1971 estimate.....	11,331	4,486	2,961	1,525	6,508	337

Note.—In this and the following tables, nonconstruction costs are excluded; proposed legislation is included for the years 1970 and 1971. Details may not add because of rounding. Net lending in years prior to 1967 does not reflect those repayments deposited to miscellaneous receipts, which for 1967 and later years are netted against disbursements.

Federal Expenditures for Public Works



In most construction programs, outlays lag behind new budget authority because of the time required for project construction. New authority of \$17.9 billion is recommended for public works programs in the 1971 budget, \$6.7 billion more than in 1970. Most of the increase is accounted for by major new proposals to provide authority for multiyear programs needed to control water pollution, modernize and expand mass transit facilities in our major cities, and improve our air transportation system.

Construction is defined to include the design and production of fixed structures and physical improvements to land, including new works and major additions, alterations, or improvements of existing works. Public works figures in this analysis include detailed project planning and the cost of sites for specific construction projects. Preliminary planning and surveys prior to selection of a site and general-purpose land acquisitions, such as for parks and forests, are excluded, as are general maintenance and repair.

Total private and public construction represents a large segment of the Nation's economic activity. In recent years, construction, including maintenance and repairs, has accounted for about 13% of the gross national product. The volume of public construction and the types of structures being built are of widespread interest because of the effect on the construction industry and on the level of economic activity. Currently, the public sector accounts for about one-third of total new construction put in place, as compared with one-sixth in 1947. Within the public sector, about one-eighth is direct Federal

construction and the remainder is construction by State and local governments, much of which is financed with Federal assistance.

The increasing dollar volume of public construction reflects in large measure growing Federal programs to assist in meeting State and local needs. By contrast, direct Federal construction has not made a relatively large contribution to recent growth. Available data indicate that Federal construction put in place was about 20% of the \$20 billion total for public works in calendar year 1964 and about 12% of the \$28 billion total in 1968. Over the same period, private construction increased from \$46 billion to \$57 billion, or 24%, while total public construction increased by 36%.

DIRECT FEDERAL PUBLIC WORKS

Outlays for direct Federal construction are shown by agency in table P-2. About two-thirds of 1971 outlays for direct Federal construction will be for civil programs of the Federal Government, with the remaining one-third for facilities of the Department of Defense and the Atomic Energy Commission.

Restrictive budget policies have limited direct Federal construction for several years. In addition, in September 1969, the President directed Federal agencies to reduce new construction contracts by 75% to help relieve inflationary pressures on the construction industry and to release resources needed for housing and other private construction. State and local governments and businessmen also were urged to cut back their construction plans. Reports from Federal agencies indicate that a total of \$1.5 billion of obligations for direct Federal construction are being deferred in 1970. Federal lease construction contracts which would have resulted in \$300 million of private construction are also being deferred.

Although budget policies have restrained direct Federal public works in recent years, outlays in 1970 are now expected to be somewhat higher than in 1969, and to increase by over \$500 million in 1971. The relatively sharp increase in 1971 reflects a number of factors: (1) many of the larger projects started in earlier years will reach a higher construction stage; (2) budget recommendations for new and expanded programs will increase outlays in selected areas; (3) the construction deferral curtailed 1970 outlays by some \$300 million; and (4) continuing increases in construction costs contribute to larger outlays. Outlays would be even higher in 1971 had it not been for the effect of the 1970 cutback.

Within the direct civil public works category, a number of agencies—principally the Corps of Engineers, the Bureau of Reclamation, the Bonneville Power Administration, and the Tennessee Valley Authority—are building water resource and related power generation and transmission facilities which account for well over half of total outlays for direct Federal civil works. Another large category of civil works consists of roads and other facilities required in connection with the national forests, parks, and other public lands. The General Services Administration builds most Federal office buildings. Research facilities are built by many of the other Federal agencies.

The direct defense public works include facilities in the United States and abroad to support the missions of the armed services. The level of outlays for such purposes is being reduced in 1970 from the 1969 level, with little additional change anticipated in 1971.

Table P-2. DIRECT FEDERAL PUBLIC WORKS: OUTLAYS AND 1971 BUDGET AUTHORITY BY AGENCY (in millions of dollars)

Program and agency	Outlays			Budget authority 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Civil public works:				
Department of Agriculture: Forest Service.....	104	120	140	118
Department of the Army: Corps of Engineers—Civil.....	840	814	982	891
Department of Health, Education, and Welfare: Health Services and Mental Health Administration.....	24	29	29	18
Department of the Interior:				
Bureau of Indian Affairs.....	48	61	60	14
National Park Service.....	42	38	33	17
Bureau of Reclamation.....	200	175	224	197
Bonneville Power Administration.....	109	98	94	91
Post Office Department.....	37	93	165	308
Department of Transportation:				
Coast Guard.....	46	41	36	17
Federal Aviation Administration.....	72	134	246	274
General Services Administration.....	130	143	162	169
National Aeronautics and Space Administration.....	65	60	72	35
Veterans Administration.....	58	93	71	77
Tennessee Valley Authority.....	278	364	496	223
Other.....	131	162	151	104
Subtotal civil public works.....	2,186	2,426	2,961	2,551
National defense public works:				
Department of the Army.....	436	436	463	668
Department of the Navy.....	425	308	306	331
Department of the Air Force.....	494	334	315	309
Interservice activities.....	146	165	163	265
Civil defense centers and shelters.....	2	2	1	-----
Atomic Energy Commission.....	243	293	275	178
Subtotal national defense public works.....	1,746	1,538	1,525	1,752
Total direct Federal public works.....	3,932	3,964	4,486	4,303

GRANTS AND NET LENDING FOR PUBLIC WORKS

Federal outlays to aid State and local government construction are summarized by agency in table P-3. Federal grants and loans supplement State and local resources and provide incentives to build roads; water, waste treatment and sewer facilities; airports, hospitals, schools and other facilities.

Many Federal-aid programs now require that projects proposed for Federal support be consistent with comprehensive planning for development of the area or region. To facilitate this objective, the Department of Housing and Urban Development will contract to provide \$60 million in comprehensive planning grants to State and local governments in 1971.

Table P-3. GRANTS AND NET LENDING FOR PUBLIC WORKS: OUTLAYS AND 1971 BUDGET AUTHORITY, BY AGENCY (in millions of dollars)

Program and agency	Outlays			Budget authority 1971 estimate
	1969 actual	1970 estimate	1971 estimate	
Grants to State and local governments:				
Funds appropriated to the President: Appalachian regional development programs.....	138	204	222	221
Department of Agriculture:				
Soil Conservation Service.....	67	79	84	77
Farmers Home Administration.....	27	40	37	26
Department of Commerce: Economic development assistance.....	126	136	156	156
Department of the Army: Corps of Engineers—Civil.....	15	20	8	7
Department of Health, Education, and Welfare:				
Health Services and Mental Health Administration.....	118	131	130	22
National Institutes of Health.....	53	127	130	88
Office of Education.....	289	300	275	-----
Department of Housing and Urban Development.....	91	146	186	200
Department of the Interior:				
Bureau of Outdoor Recreation.....	27	40	38	31
Office of Territories.....	17	23	32	30
Federal Water Pollution Control Administration.....	139	166	366	4,005
Department of Justice: Law Enforcement Assistance Administration.....	-----	2	11	19
Department of Transportation:				
Federal Aviation Administration.....	104	92	139	220
Federal Highway Administration.....	4,106	4,372	4,289	5,395
Urban Mass Transportation Administration.....	136	127	254	2,740
Washington Metropolitan Transit Authority.....	6	20	122	180
Other civil.....	8	12	15	28
Subtotal civil grants.....	5,466	6,037	6,495	13,447
Department of Defense.....	13	12	14	18
Total grants.....	5,479	6,048	6,508	13,465
Lending to State and local governments:				
Department of Commerce: Economic development assistance.....	19	38	23	38
Department of Health, Education, and Welfare:				
Office of Education.....	41	32	36	-----
Department of Housing and Urban Development.....	440	734	536	-----
Department of the Interior: Bureau of Reclamation.....	6	5	5	4
Department of Transportation: Federal Highway Administration.....	-----	40	35	100
District of Columbia.....	67	109	150	28
Other.....	9	6	5	4
Repayments and other.....	-309	-640	-454	-3
Total net lending.....	272	324	337	171

Federal grants vary by program. The Federal share is commonly expressed as a percentage of the total project cost, and may be uniform for all projects in some programs or variable in others in accordance with such factors as population and relative financial ability of the States.

By far the largest outlays for construction grants are those of the Federal Highway Administration in the Department of Transportation, which administers several highway programs financed from trust funds. The National System of Interstate and Defense Highways—a 42,500-mile network of limited access roads—is nearing completion and now has 28,750 miles open to traffic. An additional 5,259 miles of this system are under construction, and 6,615 miles are in engineering design or right-of-way acquisition status. The Federal share of the cost of this system is 90%. For most other highway programs, the Federal share is 50%.

The Federal Aviation Administration administers a program providing for 50% of the cost of certain airport facilities. Legislation is recommended to provide matching grants and increased user charges to help finance new airport facilities estimated to cost \$5 billion over the next 10 years. The Urban Mass Transportation Administration provides grants for up to two-thirds of net project costs of mass transportation facilities. Legislation is proposed to provide contract authority of \$3.1 billion over 5 years to permit communities to arrange in advance for their share of new project costs.

Within the Department of Health, Education, and Welfare, the Office of Education provides grants for higher education facilities and libraries on a matching basis, and for elementary and secondary schools on the basis of the increased number of children of Federal employees. No new budget authority is being requested for these programs in 1971. A major reform is being proposed in the program of assistance to schools in federally affected areas, and greater use will be made of Federal interest subsidy grants on private loans for higher education facilities. The Health Service and Mental Health Administration administers grants for public hospitals and mental health centers, and the National Institutes of Health provide grants for teaching facilities in the health professions, and for health research and library facilities.

The Department of Housing and Urban Development provides grants for basic water and sewer facilities and neighborhood facilities. In the Department of the Interior, grant programs are administered by the Federal Water Pollution Control Administration for waste treatment works and related research facilities, and by the Bureau of Outdoor Recreation for recreation facilities.

As part of the major new proposals to improve environmental quality, legislation is recommended to provide \$4 billion of contract authority over 5 years to the Department of the Interior for grants to communities for the construction of waste treatment works. Of that amount, \$800 million would be allocated in 1971 and in each of the succeeding four fiscal years. The total Federal share would stimulate about \$10 billion of construction.

Federal loans on favorable terms are also available to State and local governments for construction of certain types of public works such as public housing, water and sewer developments, and urban rehabilitation.

CIVIL PUBLIC WORKS

The following sections provide additional details on civil works construction. For most direct Federal projects, the need for construction is determined by preliminary studies and surveys by the responsible agencies. For many of the larger projects, such studies become the

basis for specific authorizing legislation required before appropriations may be enacted. In other programs, individual projects are considered authorized on the basis of general legislation.

New and continuing work.—For projects underway in 1971, table P-4 indicates the total cost, the progress through the budget year, and the estimated outlays required to complete the projects.

Table P-4. ESTIMATED COST OF 1971 DIRECT FEDERAL CIVIL PUBLIC WORKS, BY CONTINUING AND NEW WORK (in millions of dollars)

Program and agency	Total estimated Federal cost	Outlays		
		Prior to 1971	1971 estimate	Required to complete
Continuing work:				
Department of Agriculture: Forest Service.....	188	120	68	-----
Department of the Army: Corps of Engineers—Civil.....	15,202	7,645	944	6,613
Department of Health, Education, and Welfare: Health Services and Mental Health Administration.....	88	43	24	22
Department of the Interior:				
Bureau of Indian Affairs.....	679	424	54	200
National Park Service.....	1,427	33	31	1,363
Bureau of Reclamation.....	7,558	4,129	219	3,210
Bonneville Power Administration.....	586	278	87	221
Post Office Department.....	284	143	104	37
Department of Transportation:				
Coast Guard.....	145	90	27	28
Federal Aviation Administration.....	471	134	122	216
General Services Administration.....	538	232	127	179
National Aeronautics and Space Administration.....	1,265	1,155	68	43
Veterans Administration.....	319	160	39	119
Tennessee Valley Authority.....	1,624	501	444	680
Other.....	1,556	892	117	548
Total continuing work.....	31,930	15,979	2,475	13,479
New projects and features in 1971:				
Department of Agriculture: Forest Service.....	150	-----	72	78
Department of the Army: Corps of Engineers—Civil.....	829	27	17	784
Department of Health, Education, and Welfare: Health Services and Mental Health Administration.....	18	-----	5	13
Department of the Interior:				
Bureau of Land Management.....	17	-----	6	11
Bureau of Indian Affairs.....	9	-----	3	6
Bureau of Reclamation.....	52	2	2	48
Bonneville Power Administration.....	42	-----	6	36
Department of Justice: Federal Prison System.....	17	*	1	15
Post Office Department.....	336	-----	38	297
Department of Transportation:				
Coast Guard.....	15	-----	8	7
Federal Aviation Administration.....	320	-----	124	196
Treasury Department.....	19	-----	3	16
General Services Administration.....	102	-----	15	87
National Aeronautics and Space Administration.....	30	-----	3	27
Veterans Administration.....	58	*	23	35
Tennessee Valley Authority.....	60	-----	50	10
Other.....	25	*	9	15
Total new projects and features.....	2,099	29	384	1,681

Table P-4. ESTIMATED COST OF 1971 DIRECT FEDERAL CIVIL PUBLIC WORKS, BY CONTINUING AND NEW WORK (in millions of dollars)—Continued

Program and agency	Total estimated Federal cost	Outlays		
		Prior to 1971	1971 estimate	Required to complete
Advance planning and site acquisition prior to start of construction:				
Department of the Army: Corps of Engineers—Civil.....	85	26	21	39
Department of Health, Education, and Welfare: Health Services and Mental Health Administration.....	7	2	1	5
Social Security Administration.....	3		1	2
Department of the Interior:				
Bureau of Land Management.....	5	3	3	
Bureau of Indian Affairs.....	2		2	*
Bureau of Sport Fisheries and Wildlife.....	5	*	*	5
National Park Service.....	30	3	3	25
Bureau of Reclamation.....	31	6	3	22
Department of Justice: Federal Prison System.....	7		7	*
Post Office Department.....	72		22	50
Department of Transportation: Coast Guard.....	2		1	1
General Services Administration.....	141	87	20	35
National Aeronautics and Space Administration.....	11	3	2	6
Veterans Administration.....	20	1	9	10
Tennessee Valley Authority.....	3	1	2	
Other.....	10	2	5	2
Total advance planning.....	434	134	102	202
Total direct civil public works.....	34,463	16,142	2,961	15,361

*Less than \$500 thousand.

Outlays for those projects which were started in years prior to 1971 are estimated at \$2.5 billion in 1971, about 84% of the total for direct civil works construction. An additional \$13.5 billion of outlays is estimated to be required after 1971 to complete these projects.

New projects recommended for starting in 1971 are estimated to cost \$2.1 billion, of which \$384 million will be spent in 1971.

The 1971 budget includes provision for the Corps of Engineers to begin 16 projects and for the Bureau of Reclamation to initiate three new projects and one project resumption. The Tennessee Valley Authority will start a flood control project and two generating units as well as other improvements. The Bonneville Power Administration will add substation and transmission capacity to the Federal electric power grid in the Pacific Northwest. The General Services Administration will start 12 new public buildings and the superstructures of three others, and the Post Office Department will begin 29 post offices. The Bureau of Prisons will replace the New York Detention Center and will begin planning, and in some instances acquire sites, for six additional prisons or correctional centers. The Government Printing

Office will acquire a site and develop plans for a new plant in the Washington metropolitan area.

Public works planning and surveys.—Prior to undertaking construction, preliminary planning, surveys, and investigations are generally required. Before construction of individual water resource projects, coordinated long-range economic, hydrologic, and land-use projections are also employed in comprehensive river basin planning to help assure economic design of facilities. As indicated earlier, outlays for such studies are not included in the summary tables in this analysis.

Outlays for advance planning and site acquisition for projects to be undertaken after 1971 are shown in table P-4.

Authorized reserve of civil public works.—Most agencies that regularly build civil works projects maintain an authorized reserve which is drawn upon as necessary to fulfill program needs and budgetary policy. Projects in such reserve status require only appropriations and detailed planning for starting. The current planning status of the authorized reserve is summarized in table P-5.

Table P-5. RESERVE OF PRESENTLY AUTHORIZED PROJECTS AND PROGRAMS FOR UNDERTAKING AFTER 1971 (in billions of dollars)

Agency	Cost of authorized reserve						
	Estimated total Federal cost	Status of plans as of June 30, 1970			Status of plans as of June 30, 1971		
		Contract could be let	In process	Not started	Contract could be let	In process	Not started
Agriculture: Forest Service.....	0.9	0.2	0.7	-----	0.3	0.7	-----
Army: Corps of Engineers—							
Civil.....	9.2	2.4	5.4	1.4	3.1	4.9	1.2
Health, Education, and Welfare:							
Health Services.....	.2	*	.1	.1	*	.1	.1
Interior:							
Bureau of Land Management..	.2	*	.1	.2	*	.1	.1
Bureau of Sport Fisheries and							
Wildlife.....	.3	*	.2	.2	*	.1	.2
Bureau of Reclamation.....	1.9	1.2	.2	.4	1.4	.5	*
Bonnevill Power Administration							
.....	.5	-----	-----	.5	-----	.1	.4
Post Office.....	.7	.2	.5	-----	.4	.3	-----
Transportation: Federal Aviation							
Administration.....	.9	.1	.2	.6	.2	.3	.4
General Services Administration..	.9	.2	.7	-----	.5	.4	-----
Veterans Administration.....	.3	*	*	.2	*	.1	.1
Tennessee Valley Authority.....	2.4	.2	-----	2.1	.8	-----	1.5
Other agencies.....	.3	*	*	.2	*	.1	.2
Total.....	18.6	4.6	8.1	5.9	6.7	7.6	4.3

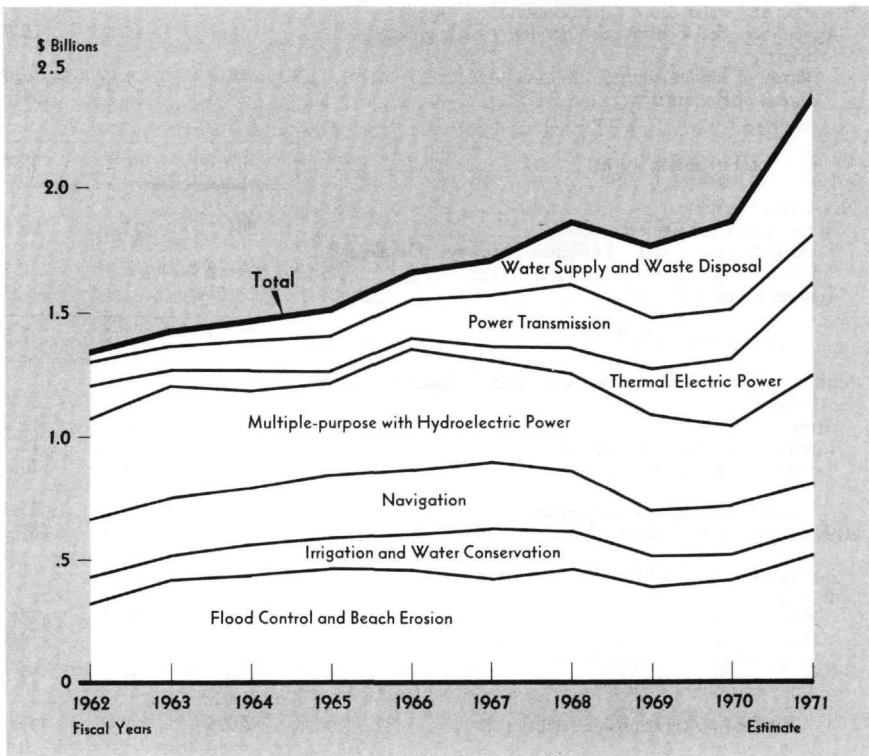
*Less than \$50 million.

Civil public works by function.—Table P-8 at the end of this analysis provides detailed information on budget authority and outlays for public works programs by agency and program grouped according to

the major functional categories used in the budget. Each major function, with the exception of interest, includes public works programs, although the level of budget authority and outlays varies widely.

Only two civil functions—commerce and transportation and natural resources—include public works activities with outlays in excess of a billion dollars. In 1971, these two functions taken together account for \$8.1 billion or 83% of the total \$9.8 billion of outlays for civil construction. Direct construction—principally of water resources projects—is the major component of the natural resources construction activities. The trend of outlays for the major types of water resource developments is shown in the accompanying chart, and table P-6 provides details for the individual agencies and types of developments.

Outlays for Water Resources and Related Developments



Some of the remaining civil functions—such as the international veterans, space, and income security functions—include principally direct Federal construction. Others—such as community development and housing, education and manpower, and health functions—include principally programs to aid State and local construction. Taken together, outlays for construction activities in the former group are estimated at \$185 million in 1970 and at \$166 million in 1971, or a decrease of 10%. In the latter group taken together, outlays are estimated at \$953 million and \$950 million, a negligible change from 1970 to 1971.

Table P-6. OUTLAYS FOR WATER RESOURCES AND RELATED DEVELOPMENTS (in millions of dollars)

Program and agency	1969 actual	1970 estimate	1971 estimate
Flood control works:			
Agriculture: Soil Conservation Service (mostly grants)	66.6	79.1	84.1
Army: Corps of Engineers—Civil	289.6	316.2	417.6
Grants	15.1	20.4	7.9
Interior: Bureau of Reclamation	10.6	3.0	3.3
State: International Boundary and Water Commission	7.0	.4	3.8
Tennessee Valley Authority	8.0	9.2	6.7
Total flood control works	396.9	428.3	523.4
Beach erosion control: Army: Corps of Engineers—Civil	1.5	3.7	2.6
Irrigation and water conservation works:			
Agriculture: Soil Conservation Service (mostly grants)	16.1	16.8	16.9
Interior:			
Bureau of Indian Affairs	8.2	4.0	6.0
Bureau of Reclamation	79.0	56.7	64.6
Loan and grant program	4.4	4.2	3.9
Total irrigation works	107.7	81.7	91.4
Navigation facilities:			
Army: Corps of Engineers—Civil	204.1	203.6	196.5
Transportation: Saint Lawrence Seaway Development Corporation .....	.2	.3	.7
Tennessee Valley Authority .....	.1	.....	.3
Total navigation facilities	204.4	203.9	197.5
Multiple-purpose dams and reservoirs with hydroelectric power facilities:			
Army: Corps of Engineers—Civil	300.5	254.3	313.2
Interior: Bureau of Reclamation	65.9	65.0	111.7
Tennessee Valley Authority	12.2	13.7	10.4
Total multiple-purpose facilities	378.6	333.0	435.3
Thermal-electric powerplants: Tennessee Valley Authority	184.4	262.3	388.6
Power transmission facilities:			
Interior:			
Bureau of Reclamation	24.6	25.1	12.1
Bonneville Power Administration	109.4	98.4	94.2
Southwestern Power Administration	4.5	4.7	3.6
Tennessee Valley Authority	64.1	71.6	74.8
Total power transmission facilities	202.6	199.8	184.7
Water supply and waste disposal facilities:			
Agriculture: Farmers Home Administration (grants)	24.4	34.0	30.8
Housing and Urban Development:			
Grants	80.2	119.0	146.0
Loan disbursements	39.5	35.7	35.0
Interior:			
Bureau of Reclamation	19.9	25.4	32.4
Federal Water Pollution Control Administration (grants) ..	134.5	158.0	322.5
State: International Boundary and Water Commission .....	.1	.4	.5
Total water supply and waste disposal	298.6	372.5	567.2
Total water resources and related developments	1,774.7	1,885.2	2,390.7

NATIONAL DEFENSE PUBLIC WORKS

Table P-8 also provides information on budget authority and outlays for national defense public works by agency and program.

Department of Defense—Military.—Outlays for construction required for strategic and general war forces and for general support are expected to decrease in 1970 and remain at about the same level in 1971. The figures shown reflect the impact of the deferral of 75% of new construction contracts in 1970, and the continued restraints in 1971. Budget authority of \$1.6 billion is recommended in 1971 for new and replacement construction for the armed services, a 50% increase over the 1970 level. This includes the design and construction of facilities required for the Safeguard antiballistic missile system, for replacement of deteriorated hospital facilities, for new and improved troop housing, and for 8,000 new family housing units.

Atomic Energy Commission.—Budget authority and outlays for construction of atomic energy facilities are expected to decline slightly from 1970 to 1971. Work will continue on the world's largest accelerator for research in high-energy physics and on a medium-energy accelerator as well as facilities for the fast breeder civilian power reactor development program. In 1971, design will begin on a project to increase the capacity of the uranium enrichment plants as part of the long-term Cascade Improvement Program.

AID TO COOPERATIVES AND NONPROFIT GROUPS

In some instances, Federal aid programs provide support to private nonprofit institutions which provide services similar to those furnished by State and local governments. Table P-7 provides information on Federal outlays to aid construction by such private institutions. These outlays are not included in the totals for public works in other parts of this analysis.

Table P-7. FEDERAL OUTLAYS FOR CONSTRUCTION BY COOPERATIVES AND NONPROFIT GROUPS (not included in public works) (in millions of dollars)

Program and agency	1969 actual	1970 estimate	1971 estimate
Expenditures:			
Grants for private construction:			
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration:			
Medical facilities construction.....	150	158	137
National Institutes of Health: Health educational, re- search and library facilities.....	80	64	65
Office of Education: Higher education facilities.....	69	64	59
Gallaudet College.....	1	2	1
Howard University.....	3	7	19
Total expenditures.....	303	295	281

Table P-7. **FEDERAL OUTLAYS FOR CONSTRUCTION BY COOPERATIVES AND NONPROFIT GROUPS (not included in public works) (in millions of dollars)—Con.**

Program and agency	1969 actual	1970 estimate	1971 estimate
Lending:			
Department of Agriculture: Rural Electrification Administration: Electrification and telephone facilities.....	402	505	492
Department of Health, Education, and Welfare:			
Health Services and Mental Health Administration: Medical facilities.....		1	15
Office of Education: Higher education facilities.....	54	52	67
Department of Housing and Urban Development: College housing.....	91	124	51
Repayments.....	-198	-185	-198
Total net lending.....	348	496	427
Total Federal outlays.....	651	791	708

Table P-8. **FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)***By major function and agency*

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
CIVIL PUBLIC WORKS						
International Affairs and Finance						
Department of State:						
Foreign Service buildings.....	1.1		3.6	3.2	3.2	3.1
Cultural and Technical Interchange Center, Hawaii (grant).....				.7	.2	
International Center, Washington, D.C. (grant).....		1.0			.2	.2
United States Information Agency: Radio facilities and special international exhibitions.....				7.7	12.3	7.3
Total international affairs and finance.....	1.1	1.0	3.6	11.6	16.0	10.7
Space Research and Technology						
National Aeronautics and Space Administration: Research and space flight facilities.....	32.9	53.2	34.6	65.3	60.0	72.0

Table P-8. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
CIVIL PUBLIC WORKS—Continued						
Agriculture and Rural Development						
Department of Agriculture:						
Laboratories, research facilities, and Library.....	.5	3.6	1.6	11.2	12.1	8.9
Cooperative State Research Service: Grants for research facilities.....		1.0		1.7	1.0	1.4
Soil Conservation Service: Resource conservation and development: Grants.	.8	4.3	7.4	2.9	3.5	4.0
Farmers Home Administration: Grants for rural water and sewer systems.....	28.0	46.0	24.0	24.4	34.0	30.8
Rural renewal loans.....	1.3			1.2	.7	
Grants for farm labor housing.....	4.2	2.5	2.5	2.7	5.7	6.0
Total agriculture and rural development.....	34.9	57.4	35.5	44.1	57.0	51.1
Natural Resources						
Department of Agriculture:						
Soil Conservation Service: Flood prevention and watershed protection:						
Direct work.....	.2	.2	.1	.2	.2	.4
Grants.....	59.2	65.5	69.1	63.7	75.6	80.3
Forest Service: Roads, research, recreational and protective facilities ¹	179.6	187.9	117.9	104.0	120.4	140.0
Department of Defense—Civil: Corps of Engineers—Civil:						
Flood control, navigation and multiple-purpose projects with power.....	838.3	740.4	862.9	815.6	795.7	952.3
Trust funds.....	18.7	15.8	27.6	24.6	18.2	29.6
Grants.....	15.1	20.4	6.6	15.1	20.4	7.9
Department of the Interior:						
Bureau of Land Management: Roads and other facilities.....	18.9	16.1	14.6	13.1	17.4	15.9
Bureau of Outdoor Recreation: Grants for recreation facilities.....	22.5	30.9	31.2	26.7	40.0	38.1
Office of Coal Research: Demonstration plants.....	2.5	7.8	8.0	1.0	10.1	7.2
Bureau of Commercial Fisheries:						
Facilities.....		2.3		.7	2.7	.7
Grants.....	1.2	1.0	.8	.8	1.9	1.4
Bureau of Sport Fisheries and Wildlife: Facilities.....	1.9	4.3	2.6	4.5	3.4	5.8
National Park Service: Parkways, roads, buildings and utilities ¹	5.7	50.3	17.0	42.2	38.1	33.3
Bureau of Reclamation:						
Irrigation and multiple-purpose projects with power ¹	197.2	299.0	197.1	200.0	175.3	224.0
Loans, small irrigation projects.....	3.0	5.3	4.4	5.7	5.1	5.3
Repayments.....	-1.3	-1.4	-1.4	-1.3	-1.4	-1.4
Grants, small irrigation projects.....		.4			.4	

See footnotes at end of table.

Table P-8. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
CIVIL PUBLIC WORKS—Continued						
Natural Resources—Continued						
Department of the Interior—Continued						
Power transmission facilities:						
Bonneville Power Administration ¹	103.0	96.9	90.9	109.4	98.4	94.2
Southwestern Power Administration	4.0	3.1	2.2	4.5	4.7	3.6
Federal Water Pollution Control Administration:						
Buildings and facilities .....				.5	2.2	1.8
Grants for waste treatment works and research facilities	220.5	803.8	4,004.9	139.2	166.4	366.5
Department of State:						
International Boundary and Water Commission: Water resources projects and Chamizal settlement	5.8	.4	4.2	9.2	.9	4.2
Facilities for International Pacific Halibut Commission (grant) .....				.2		
Tennessee Valley Authority: Power, water resources, and chemical facilities	27.2	24.6	223.2	277.9	364.4	496.0
Total natural resources	1,723.2	2,375.0	5,683.9	1,857.4	1,960.5	2,507.1
Commerce and Transportation						
Funds appropriated to the President:						
Appalachian regional development programs: Grants for highways, education, and health facilities	310.6	220.4	221.4	137.5	203.6	221.6
Public works acceleration: Grants				2.0	4.2	
Department of Commerce:						
Economic development assistance:						
Development facilities grants	153.6	152.9	156.3	125.9	136.3	156.0
Development facilities loans	26.4	21.6	38.0	18.6	37.6	23.2
Repayments				— .6	— .4	— .4
Environmental Science Services Administration: Structures .....	.1	3.4	.2	.1	.4	1.0
Bureau of Standards: Buildings .....	.9		.5	2.3	2.7	.8
Maritime Administration: Improvements .....				.2	(²)	
Department of Defense—Civil: Panama Canal Company: Canal and harbor improvements				13.3	14.5	14.4
Department of the Interior: Bureau of Indian Affairs: Roads	30.0	30.0		18.8	21.1	20.0
Post Office Department: Post offices, improvements and alterations	89.7	199.3	308.3	36.5	93.2	164.6
Department of Transportation:						
Coast Guard: Shore facilities and navigation aids	42.3	28.2	16.9	46.4	41.3	36.2
Federal Aviation Administration:						
Air traffic control, navigation and research facilities	120.0	224.0	190.0	70.9	132.0	135.0
Dulles and National Airports .....	.7	1.9	11.0	1.4	1.7	6.0

See footnotes at end of table.

Table P 8. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
CIVIL PUBLIC WORKS—Continued						
Commerce and Transportation—Con.						
Department of Transportation—Con.						
Federal Aviation Administration—Con.						
Federal-aid airport program: Grants	70.0	80.0	-----	103.7	90.0	89.0
Proposed legislation for airways and airport development:						
Direct work	-----	46.5	72.5	-----	-----	105.0
Grants	-----	11.0	220.0	-----	2.3	50.0
Federal Highway Administration:						
Forest and public land highway grants ³	46.9	46.6	-136.2	38.0	31.7	-----
Chamizal Memorial Highway: Grant	-----	4.0	-----	(2)	4.0	.9
Federal-aid highways and other trust funds:						
Grants	5,376.6	5,348.2	5,531.0	4,067.6	4,336.1	4,284.7
Loans	100.0	100.0	100.0	-----	40.0	35.0
Alaskan highway grant and other	-----	-----	-----	(2)	-----	3.0
Federal Railroad Administration: Alaska railroad improvements	.6	-----	-----	.6	-----	-----
Urban Mass Transportation Administration: Transportation facilities:						
Grants	148.3	150.7	2,740.0	136.1	126.8	253.8
Loans	-----	-----	-----	-----	1.0	-----
Repayments	-----	-----	-----	-2	-2	-3
St. Lawrence Seaway Development Corporation: Alterations	-----	-----	-----	.2	.3	.7
Federal Communications Commission: Facilities	(2)	.1	(2)	(2)	.1	(2)
Total commerce and transportation	6,516.7	6,668.8	9,470.0	4,819.5	5,319.7	5,599.6
Community Development and Housing						
Department of Housing and Urban Development:						
Grants for neighborhood facilities	35.0	40.0	40.0	10.6	26.0	38.0
Low-rent public housing:						
Loans	-----	-----	-----	285.8	598.0	423.0
Repayments	-----	-----	-----	-273.1	-598.0	-411.0
New community development grants	-----	2.5	10.0	-----	.5	2.0
Grants for water and sewer facilities	165.0	135.0	150.0	80.2	119.0	146.0
Public works planning:						
Loans	-----	-----	-----	5.2	7.4	3.6
Repayments and other	-----	-----	-----	-6.2	-6.0	-5.0
Public facility loans	3.2	3.3	3.2	47.8	42.0	40.0
Repayments	-----	-----	-----	-3.8	-4.7	-5.8
Liquidating programs: Repayments	-----	-----	-----	-2	-2	-2
Federal Home Loan Bank Board: Headquarters	-----	8.4	-----	.4	.4	5.4
Total community development and housing	203.2	189.2	203.2	146.6	184.4	236.0

See footnotes at end of table.

Table P-8. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
CIVIL PUBLIC WORKS—Continued						
Education and Manpower						
Department of Health, Education, and Welfare:						
Office of Education:						
Schools in federally affected areas:						
At Federal installations	13.0	11.1	-----	2.4	6.5	5.8
Grants	1.1	3.0	-----	20.0	33.3	26.7
Higher education facilities:						
Grants	79.6	43.0	-----	247.0	244.0	236.8
Loans	33.0	-----	-----	40.5	32.5	36.0
Repayments	-----	-----	-----	-1.0	-1.5	-1.9
Community education facilities (grants)	9.2	-----	-----	22.4	22.7	11.6
Department of Housing and Urban Development:						
College housing loans	200.0	-----	-----	101.2	86.3	68.9
Repayments	-----	-----	-----	-19.5	-20.7	-22.0
Department of the Interior: Bureau of Indian Affairs: Schools and other facilities	25.3	26.2	14.3	29.3	39.6	39.5
National Science Foundation: Research facilities	4.3	1.3	4.6	5.9	5.9	3.0
Smithsonian Institution:						
John F. Kennedy Center for Performing Arts	-----	12.5	-----	16.3	12.6	-----
Museums	14.9	1.3	1.3	3.9	6.0	10.7
Total education and manpower	380.4	98.4	20.2	468.4	467.0	415.1
Health						
Department of Health, Education, and Welfare:						
Consumer Protection and Environmental Health Services: Buildings	-----	.3	-----	.4	4.5	6.5
Health Services and Mental Health Administration:						
Grants for mental health centers	7.2	14.0	-----	13.6	15.6	16.1
Grants for medical facilities	114.5	67.5	22.5	104.2	114.0	112.4
Indian health facilities	17.3	19.0	18.0	14.3	22.8	22.4
Grants for Indian health facilities .....	.9	2.0	-----	.3	1.2	1.4
Other facilities, including St. Elizabeths Hospital ¹ .....	.2	2.3	.1	9.2	6.3	6.7
National Institutes of Health:						
Grants for health, educational research, and library facilities	65.6	88.3	88.3	53.3	127.3	130.4
Buildings and facilities	-----	1.0	-----	1.0	7.4	1.9
Social Security Administration: Buildings and district offices (trust funds)	-----	2.2	1.1	-----	2.2	1.1
Total health	205.7	196.6	130.0	196.3	301.4	298.9

See footnotes at end of table.

Table P-8. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
CIVIL PUBLIC WORKS—Continued						
Income Security						
Social Security Administration: Buildings and district offices (trust funds).....	7.9	9.5	6.2	7.9	9.5	6.2
Total income security.....	7.9	9.5	6.2	7.9	9.5	6.2
Veterans Benefits and Services						
Department of Defense—Civil:						
Army: Cemeteries.....	1.0	.2	1.2	4.1	1.2	1.5
Soldiers' Home (trust fund).....	.7	.2	.1	1.7	1.1	.2
Veterans Administration:						
Medical care facilities.....	19.4	86.9	76.8	57.6	92.7	70.8
Construction of State nursing homes grants.....	4.0	4.0	7.5	1.8	4.0	5.0
Corregidor-Bataan Memorial.....				.8	.1	
Total veterans benefits and services.....	25.1	91.2	85.6	65.9	99.2	77.5
General Government						
Legislative Branch:						
Architect of the Capitol: Buildings and James Madison Library.....	1.2	6.3	15.6	2.1	3.8	9.6
Government Printing Office: Building site and plans.....			3.9			3.4
Department of Defense—Civil:						
Army: Power and water systems, Ryukyu Islands:						
Loans.....	-7.8					
Repayments.....		-2	-4		-2	-4
Canal Zone Government: Improvements.....	(2)	1.3	1.5	4.3	3.2	3.1
Department of the Interior:						
Office of Territories: Public facilities in Samoa, Guam, and the Trust Ter- ritory of the Pacific Islands:						
Grants.....	12.8	23.5	30.4	16.6	22.6	32.0
Loans.....	4.1	4.6	4.5	7.4	4.8	5.3
Repayments.....	-3	-3	-4	-3	-3	-4
Department of Justice:						
Immigration and Naturalization Serv- ice: Border facilities.....		.3	1.6		.2	1.3
Federal Prison System: Prison facilities.....		1.2	23.7	2.7	2.9	9.8
Law Enforcement Assistance Admin- istration: Grants for police stations, correctional institutions and court buildings.....		13.0	19.0		2.0	11.0
Treasury Department:						
Federal Law Enforcement Training Center.....		1.0	5.0		.4	3.1
Bureau of Customs: Border facilities.....	(2)	.1	.2	(2)	.1	.2
Bureau of Engraving and Printing: Air conditioning.....	.4			.4	.3	
Bureau of the Mint: Philadelphia Mint.....		1.8		5.0	5.7	1.8
Secret Service: Training facilities.....	.8	.7		.1	.6	.7

See footnotes at end of table.

Table P-8. FEDERAL PUBLIC WORKS ACTIVITIES (in millions of dollars)—Con.

By major function and agency

Function, agency, and program	BUDGET AUTHORITY			OUTLAYS		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
CIVIL PUBLIC WORKS—Continued						
General Government—Continued						
General Services Administration: Con- struction of public buildings, sites and planning.....	62.9	69.6	168.5	130.3	142.9	162.2
Central Intelligence Agency: Headquarters District of Columbia:				.1	(²)	-----
Grants.....	.9	.1	20.0	.9	.1	7.3
Loans.....	73.5	61.5	27.5	67.4	109.0	149.9
Repayments.....	-2.6	-5.7	-4.0	-2.6	-5.7	-4.0
Grant to Washington Metropolitan Area Transit Authority.....	43.8	126.1	180.0	6.1	19.9	122.1
Total general government.....	189.8	304.8	496.7	240.5	312.5	518.1
Total civil public works.....	9,320.9	10,045.3	16,169.6	7,923.3	8,787.2	9,792.4
NATIONAL DEFENSE PUBLIC WORKS						
Department of Defense—Military:						
Interservice activities:						
Construction, Defense agencies.....	41.8	33.9	45.6	10.0	15.0	32.0
Family housing.....	48.7	124.8	219.4	136.1	150.0	131.1
Civil defense:						
Grants for emergency centers.....	2.4	1.9	3.2	5.1	3.9	2.5
Federal emergency centers.....		1.8	-----	2.1	1.7	1.4
Army:						
Construction.....	504.1	237.2	658.0	434.9	426.5	453.1
Construction, Army Reserve.....	3.0	10.0	10.0	1.5	9.0	10.0
Construction, Army National Guard (grants).....	2.7	15.0	15.0	8.4	7.7	11.0
Navy:						
Construction.....	291.5	300.0	326.1	418.4	300.3	300.9
Construction, Naval Reserve.....	5.0	9.6	5.0	6.5	8.0	6.0
Air Force:						
Construction.....	260.8	284.3	297.2	480.5	320.0	300.0
Construction, Air Force Reserve.....	4.3	5.3	4.0	2.8	4.3	5.0
Construction, Air National Guard.....	8.3	13.2	8.0	10.3	10.0	10.0
Total, Department of Defense— Military.....	1,172.6	1,037.1	1,591.5	1,516.5	1,256.3	1,263.0
Atomic Energy Commission: Facilities.....	339.4	184.5	178.4	243.4	292.9	275.1
Total national defense public works.....	1,512.1	1,221.6	1,769.8	1,760.0	1,549.2	1,538.1
Total civil and defense public works.....	10,832.9	11,266.9	17,939.4	9,683.3	10,336.4	11,330.6

¹ Includes small amounts from trust funds.² Less than \$50 thousand.³ Legislation proposed to include forest and public land highways in trust funds in 1971, and 1971 amounts are included in trust funds.

SPECIAL ANALYSIS Q

FEDERAL RESEARCH, DEVELOPMENT, AND RELATED PROGRAMS

This analysis identifies Federal obligations and expenditures for the conduct of research and development and for facilities related to these activities.

Total Federal obligations for research and development, including facilities, will be \$15.8 billion in 1971 compared to \$16.4 billion in 1970. Increases totaling \$0.1 billion are provided for a number of civilian agencies. These are more than offset by decreases of \$0.1 billion for the Department of Defense and of \$0.6 billion for the National Aeronautics and Space Administration, primarily as a result of a decline in requirements for the manned lunar landing program. Total expenditures will decrease from \$15.9 billion to \$15.7 billion.

The 1971 budget initiates efforts to make more effective use of the Federal research and development dollar and to foster research more directly related to the understanding and solution of a broad range of national problems. Emphasis is being placed on research and development relating to environmental, education, housing, transportation, and crime problems. In this process more attention has been given to research and development which can effectively assist in achieving both specific agency objectives and the broader goals of the administration.

Research.—Total Federal obligations for the conduct of research will increase from \$5.5 billion in 1970 to \$5.8 billion in 1971. Expenditures will increase from \$5.5 billion in 1970 to \$5.6 billion in 1971.

Obligations for Research

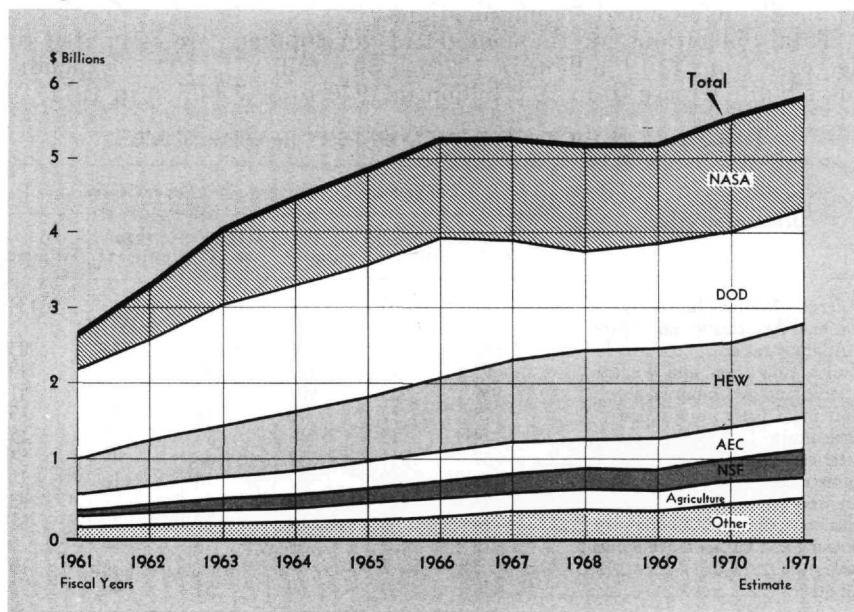


Table Q-1. CONDUCT OF RESEARCH ¹ (in millions of dollars)

Department or agency	Obligations			Expenditures		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Defense—Military functions.....	1,401	1,425	1,493	1,462	1,401	1,461
National Aeronautics and Space Administration.....	1,308	1,530	1,461	1,312	1,490	1,428
Health, Education, and Welfare.....	1,174	1,139	1,259	1,086	1,153	1,183
Atomic Energy Commission.....	417	424	418	417	424	418
National Science Foundation.....	256	277	344	262	284	307
Agriculture.....	253	272	286	257	264	286
Interior.....	155	176	190	151	169	187
Commerce.....	54	65	76	55	63	65
Transportation.....	50	62	71	38	51	62
Veterans Administration.....	48	55	56	48	55	56
Office of Economic Opportunity.....	11	22	31	18	12	22
Housing and Urban Development.....	6	12	21	4	8	10
Smithsonian Institution.....	16	18	20	16	17	20
Justice.....	3	6	10	3	4	7
All other.....	46	58	64	42	54	62
Total.....	5,198	5,540	5,800	5,172	5,450	5,574

¹ In this table and tables Q-2 and Q-3 "obligations" and "expenditures" for AEC are both accrued costs which approximate obligations and expenditures for analysis purposes. Detail in all tables may not add to totals due to rounding. For ease of comparison, tables Q-2 and Q-4 are listed in the same agency sequence.

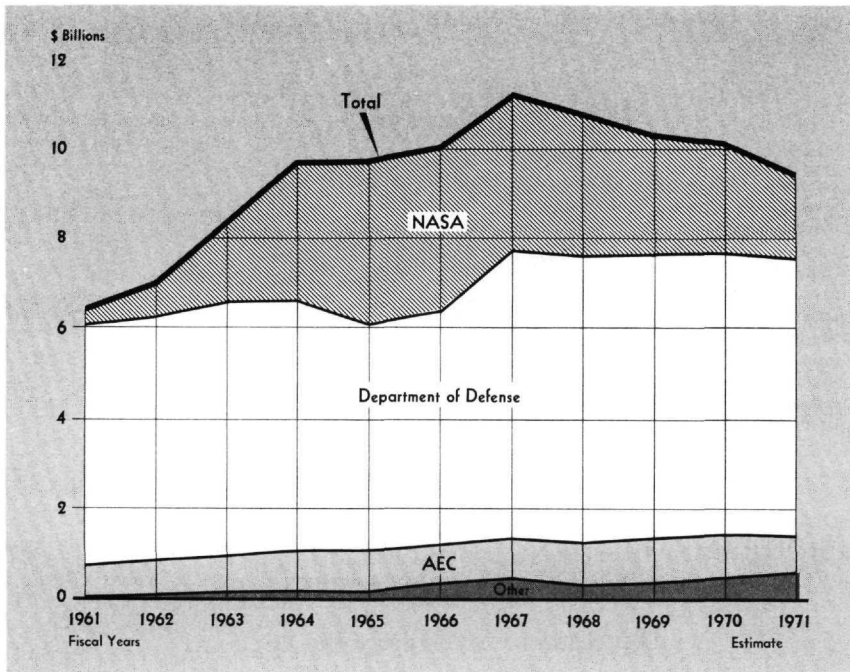
Development.—The Federal Government finances development to design, fabricate, test, and evaluate prototypes of materials, devices, systems, or processes to accomplish specific agency missions. These include prototypes of complex devices such as military weapons, space vehicles, and nuclear reactors and of systems for such purposes as missile defense and communications.

Total obligations for the conduct of development are estimated to decrease from \$10.1 billion in 1970 to \$9.4 billion in 1971. Expenditures will decrease from \$9.8 billion in 1970 to \$9.7 billion in 1971.

Table Q-2. CONDUCT OF DEVELOPMENT (in millions of dollars)

Department or agency	Obligations			Expenditures		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Defense—Military functions.....	6,271	6,305	6,104	6,180	6,115	6,134
National Aeronautics and Space Administration.....	2,682	2,394	1,838	2,870	2,336	1,903
Health, Education, and Welfare.....	93	117	167	89	112	140
Atomic Energy Commission.....	989	923	901	989	923	901
National Science Foundation.....	18	17	16	18	15	13
Agriculture.....	14	15	15	15	15	15
Interior.....	57	51	52	46	48	53
Commerce.....	17	18	17	18	16	16
Transportation.....	73	127	138	53	78	92
Office of Economic Opportunity.....	24	46	59	39	25	52
Housing and Urban Development.....	12	22	39	8	14	25
Justice.....	3	7	19	2	4	10
All other.....	34	49	60	34	40	54
Total.....	10,285	10,090	9,425	10,360	9,742	9,407

Obligations for Development



Academic research and development.—In 1971, total Federal obligations for research grants and contracts in colleges and universities will increase by \$114 million over 1970. It is anticipated that much of this increase will be utilized to assist those in academic institutions who wish to undertake research, within or across disciplines, related to a better understanding of the nature and impact of the problems faced by contemporary society.

Table Q-3. SUPPORT OF RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES (in millions of dollars)

Department or agency	Obligations			Expenditures		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Health, Education, and Welfare.....	663	617	678	604	641	653
National Science Foundation.....	210	225	270	219	213	230
Defense.....	247	223	220	243	225	224
Atomic Energy Commission.....	101	100	97	101	100	97
National Aeronautics and Space Administration.....	128	110	88	144	131	105
Agriculture.....	62	70	81	61	69	80
All other.....	60	73	98	55	70	87
Total.....	1,471	1,418	1,532	1,426	1,449	1,475

Research and development facilities.—Obligations and expenditures for research and development facilities are as follows:

Table Q-4. RESEARCH AND DEVELOPMENT FACILITIES (in millions of dollars)

Department or agency	Obligations			Expenditures		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
Defense—Military functions.....	197	181	165	208	187	174
National Aeronautics and Space Administration.....	55	80	55	70	63	72
Health, Education, and Welfare.....	47	7	33	46	58	54
Atomic Energy Commission.....	301	374	240	248	276	320
National Science Foundation.....	27	23	24	62	42	27
Agriculture.....	11	7	5	15	15	9
Interior.....	29	30	29	16	37	28
Commerce.....	3	4	6	3	5	5
Transportation.....	6	15	17	5	7	17
Veterans Administration.....	5	6	9	3	6	4
All other.....	1	1	1	1	-----	1
Total.....	681	727	585	677	696	712

PROGRAMS OF AGENCIES WITH MAJOR RESEARCH AND DEVELOPMENT ACTIVITIES

DEPARTMENT OF DEFENSE—MILITARY

The total Department of Defense 1971 obligations for research and development, including facilities, will decrease by \$148 million from the 1970 level reaching a total of \$7,763 million.

For the conduct of research, obligations in 1971 are estimated to increase by \$68 million. Continued emphasis will be given to areas of particular military significance such as electronics, marine technology, propulsion technology, and guidance technology. Fundamental research providing scientific knowledge needed for advances in military technology will also be pursued.

Obligations for development programs and operation of test and evaluation facilities will reach a level of \$6,104 million in 1971, a decrease of \$200 million below the 1970 level. This decrease reflects the completion or phasing down of development on operational systems such as the F-111 and FB-111 aircraft, the Minuteman intercontinental ballistic missile system, and the Poseidon fleet ballistic missile system. Advanced and engineering development programs, however, show significant increases in 1971. These include the Air Force F-15 air superiority fighter; antiballistic missile technology; separate sea and land based tactical air defense systems; the S-3A carrier based antisubmarine aircraft; an undersea long-range missile system; and the subsonic cruise armed decoy. A more detailed explanation of development trends is given in the Budget Appendix on pages 294-300.

Table Q-5. DEPARTMENT OF DEFENSE—MILITARY RESEARCH AND DEVELOPMENT (in millions of dollars)

Purpose and budget title	1969 actual	1970 estimate	1971 estimate
Conduct of research and development:			
Research, development, test, and evaluation:			
Military sciences.....	584	540	573
Aircraft and related equipment.....	1,055	1,607	1,664
Missiles and related equipment.....	2,427	2,324	2,227
Military astronautics and related equipment.....	1,064	678	482
Ships, small craft, and related equipment.....	330	290	376
Ordnance, combat vehicles, and related equipment.....	351	314	329
Other equipment.....	1,161	1,146	1,159
Programwide management and support.....	309	336	348
Emergency fund.....		75	50
Other appropriations.....	391	429	389
Total, conduct of research and development, obligations.....	7,672	7,729	7,597
Total, conduct of research, included above.....	1,401	1,425	1,493
Total, conduct of development, included above.....	6,271	6,305	6,104
Research and development facilities, obligations.....	197	181	165
Total obligations.....	7,869	7,910	7,763

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

All activities of the National Aeronautics and Space Administration are considered as research and development and are included in this analysis.

Following completion of the expensive development phase of the Apollo lunar landing program and the planned suspension of Saturn V launch vehicle and spacecraft production, the emphasis on development within NASA will be shifting to the manned Apollo Applications Workshop program and to the technology studies required for a space shuttle and a space station. Manned lunar missions will be continued during 1971.

Research funding for space sciences will support the design of unmanned experiments and instrumentation for the 1973 Venus/Mercury and Pioneer-Jupiter missions. Increases will occur in space applications for synchronous meteorological satellites and for the experimental Earth Resources Technology Satellites scheduled for launch in the early 1970's. In cooperation with the Departments of Agriculture, Interior, and the Navy these satellites will be used to conduct experiments in the use of space acquired information in the management of natural resources. Work will continue on advancing capabilities in communications, navigation, traffic control, meteorology, and geodesy. NASA work on NERVA nuclear rocket engine development also increases in 1971. Related work on NERVA is conducted by the Atomic Energy Commission.

Table Q-6. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—
RESEARCH AND DEVELOPMENT (in millions of dollars)

Program and type of activity	1969 actual	1970 estimate	1971 estimate
Conduct of research:			
Manned space flight.....	82	181	157
Space sciences.....	290	319	309
Space applications.....	102	131	157
Space technology.....	158	144	127
Aviation technology.....	95	96	102
Supporting activities.....	154	144	155
Research and program management.....	372	430	454
Subtotal, conduct of research, budget plan.....	1,253	1,445	1,461
Subtotal, conduct of research, obligations.....	(1,308)	(1,530)	(1,461)
Conduct of development:			
Manned space flight.....	2,096	1,851	1,317
Space sciences.....	51	62	74
Space applications.....	7	8	24
Space technology.....	28	32	37
Supporting activities.....	138	146	147
Research and program management.....	276	258	238
Subtotal, conduct of development, budget plan.....	2,596	2,357	1,838
Subtotal, conduct of development, obligations.....	(2,682)	(2,394)	(1,838)
Research and development facilities, budget plan.....	32	53	35
Research and development facilities, obligations.....	(55)	(80)	(55)
Total budget plan ¹	3,881	3,855	3,333
Total obligations.....	4,045	4,004	3,354

¹ "Budget plan" represents the distribution of new budget authority, including financing adjustments from prior years. "Obligations" reflect funds obligated from new budget authority and from unobligated funds brought forward from prior years.

HEALTH, EDUCATION, AND WELFARE

Obligations of the Department of Health, Education, and Welfare for research and development, including facilities, will increase by \$197 million to a level of \$1,459 million in 1971.

Biomedical research and development will be significantly expanded in 1971 in areas where there are clues to the prevention or curing of diseases. A major increase will be made in efforts to understand the relationship of viruses to cancer and in studies of the correlation between heart disease and risk factors implicated in cardiovascular disease. Other health-related research to be emphasized includes population and family planning, drug abuse, and alcoholism, and infant and child health.

Added impetus will be given in 1971 to developing the technology to control air pollution and to examining the health effects of environmental pollutants, food additives, and pesticides.

Additional details about Federal biomedical programs may be found in Special Analysis K of this volume.

Educational research and development will stress the improvement of reading skills, early child development, and evaluation of the impact of educational programs. A prime component of these evaluation efforts will be expanded support of the national study of the educational attainment of the population being administered by the Education Commission of the States. An increase provided for the experimental schools program, initiated in 1970, will test, develop, and demonstrate comprehensive new approaches to increasing student achievement in actual school situations.

ATOMIC ENERGY COMMISSION

Operating costs of the Atomic Energy Commission for conduct of research and development will total \$1,320 million, and obligations for related construction and equipment will total \$240 million.

The Commission's research program will continue in 1971 at approximately the same dollar level as in 1970. Funds will be redirected within the physical and biomedical research programs in 1971 to accommodate higher priority areas of research. One major particle accelerator for high energy physics research will be shut down and other elements of the physical research program reduced to permit an increase in research associated directly with construction of two major new accelerators, more effective use of other new facilities, and expansion in controlled thermonuclear research.

The Commission's development programs include design and testing of nuclear weapons, development of improved reactors, and development of peaceful uses of radioisotopes and nuclear explosives. There will be an increase in 1971 in the reactor development program for development of improved nuclear propulsion plants for naval ships and for fabrication of the demonstration core for the Light Water Breeder Reactor civilian power program. These increases will be largely offset by decreases within the reactor development program. Funds are also included to enable AEC to participate with industry in a cooperative project to demonstrate the technology of the Liquid Metal Fast Breeder Reactor civilian power program.

The Plowshare program, which seeks to develop peaceful applications of nuclear explosives, is being reduced and redirected in 1971 to shift program emphasis from excavation experiments to various underground engineering applications, principally the exploitation of marginal deposits of natural resources.

The AEC's budget for 1971 provides for obligations of \$65 million and expenditures of \$68 million (compared with obligations of \$70 million and expenditures of \$35 million in 1970) for continued construction of the 200 Bev accelerator, located near Chicago. Also included in 1971 are expenditures for continuation of several major construction projects initiated in previous years and for procurement of capital equipment.

Table Q-7. ATOMIC ENERGY COMMISSION—RESEARCH AND DEVELOPMENT (in millions of dollars)

Program	1969 actual	1970 estimate	1971 estimate
Conduct of research:			
Physical research.....	274	278	274
Biomedical research.....	86	87	86
Weapons research.....	54	57	57
Other programs.....	3	2	1
Total, conduct of research, expenditures.....	417	424	418
Conduct of development:			
Reactor development.....	443	424	432
Weapons development and testing.....	498	447	424
Production of special nuclear materials.....	26	28	25
Plowshare.....	13	14	8
Other programs.....	9	10	12
Total, conduct of development, expenditures.....	989	923	901
Research and development facilities expenditures.....	248	276	320
Total expenditures.....	1,654	1,623	1,640

NATIONAL SCIENCE FOUNDATION

The total obligations of the National Science Foundation for research and development, including facilities, will increase from \$317 million in 1970 to \$384 million in 1971. This reflects a marked effort to give support to research in areas where new scientific understanding is needed to aid in the solution of pressing problems affecting mankind. Increased funds are planned for research—within and across disciplines—on the environment, including studies of atmospheric processes, oceanography and ecological systems, and on other problems of our society.

Research to improve man's understanding and use of the seas and the coastal zone will be expanded under the National Sea Grant program and under the International Decade of Ocean Exploration for which the Foundation has been assigned lead agency funding responsibility. Funds are also included for the initiation of an Arctic Research program which will be principally directed to ecological studies of Alaska's North Slope.

Funding for 1971 includes \$3.8 million to modify the 1,000-foot radio astronomy antenna at the Arecibo Observatory in Puerto Rico which will substantially improve the scientific usefulness of the instrument.

DEPARTMENT OF AGRICULTURE

Obligations for the Department of Agriculture for research and development, including facilities, will increase from \$294 million in 1970 to \$306 million in 1971.

Research on rural community development, to be conducted primarily by the State experiment stations, will increase in 1971 in

keeping with the administration's concern with the economic development of rural America by local initiative supported by local institutions. Additional funding is also included for ongoing research programs at the State experiment stations and schools of forestry.

Emphasis will also be given to research on reducing the cost of producing beef and milk, on methods for utilizing remote sensing data, on increasing timber production, in determining the comparative advantage of U.S. farm products in world trade and on reducing pollution from animal wastes.

DEPARTMENT OF THE INTERIOR

Obligations for the Department of the Interior for research, development, and related facilities will increase from \$257 million in 1970 to \$272 million in 1971.

One of the primary areas of emphasis will be pollution control and prevention. This research will help attain the long-range goal of an adequate supply of water suitable in quality for recreational, agricultural, and other public uses. Efforts to develop low-cost processes for converting saline water to fresh water will be expanded. Funds are also included to initiate Federal participation in an ongoing joint private-public research program to reduce the costs of placing high-voltage transmission lines underground.

Research to reduce fatalities and injuries and to improve health conditions in coal mines will be intensified, with emphasis on dust control, prevention of cave-ins, and rescue techniques.

More research will be undertaken on technology for conversion of coal to fuel gas and synthetic petroleum in order to augment present reserves of energy resources. Research will also be intensified on magnetohydrodynamics (MHD), a promising technology involving direct conversion of coal to electricity with minimal air and water pollution.

DEPARTMENT OF TRANSPORTATION

Obligations of the Department of Transportation for research and development, including facilities, will increase from \$204 million in 1970 to \$226 million in 1971.

The increase in the Office of the Secretary of \$9 million will expand long-range research efforts to automate more fully the air traffic control system. The main emphasis is on new systems concepts and new technology.

FAA obligations will be \$72 million, about the same level as 1970. However, a much larger portion of 1971 funds will be directed toward development of the components of air traffic control system to meet the air traffic growth forecast for the post-1975 era.

The Coast Guard will obligate \$27 million in 1971, an increase of \$10 million over 1970. The increase is mainly for the national ocean data buoy project to provide improved meteorological and oceanographic data from ocean areas.

The Federal Highway Administration program will increase from \$43 million in 1970 to \$61 million in 1971. The increase reflects greater

emphasis on motor vehicle and highway safety research to expand our knowledge of the causes of highway accidents, injuries, and deaths. The results of this research will aid in improving the crash resistance of vehicle structures, in minimizing highway accident deaths and injuries, and in improving driver ability to avoid accidents.

The Federal Railroad Administration will obligate \$23 million in 1971, the same level as 1970. The main thrust of the program will be on development and testing of an experimental high-speed tracked air cushion vehicle.

Research and development in the Urban Mass Transportation Administration will amount to \$20 million in 1971. The program will be directed toward solutions of problems in user and community acceptance; stimulating private investments in promising areas of technological innovation; and influencing institutional constraints which inhibit the development and application of new systems.

DEPARTMENT OF COMMERCE

The Department of Commerce will obligate \$99 million for research and development and related facilities in 1971, an increase of \$12 million over 1970.

The Environmental Science Service Administration will increase research designed to improve the detection and tracking of violent storms and extend forecasting and data gathering programs. Additional effort will be devoted to satellite sensing devices, weather modification studies, and the automation of aeronautical charting production.

The Maritime Administration will focus primarily on research to reduce the costs of constructing, operating, and maintaining the American Merchant Marine.

GOVERNMENT-WIDE MARINE SCIENCE AND SPACE PROGRAMS

MARINE SCIENCE

Obligations for marine science, technology, and related activities will increase by approximately \$24 million to a total of \$540 million in 1971.

The major thrust in the new and expanded programs in civilian agencies is directed toward observing, measuring, and understanding conditions and trends in the environment and man's impact upon it. Increases are provided in the National Science Foundation for the International Decade of Ocean Exploration, for the Ocean Sediment Coring program, for Arctic research, and for expanding the National Sea Grant program—particularly to support coastal zone research. Funds are provided in the Department of the Interior for the new coastal zone management grant program and for the initiation of a lake restoration program. Increases in the Department of Transportation will permit expansion of advanced development of ocean data buoys for monitoring weather and sea conditions. In the Department of Commerce, increases are provided in the Maritime Administration for beginning a long-term program for reducing ship operating costs—a part of the Administration's maritime program.

Within the Department of Defense, the Advanced Research Projects Agency will expand work on surface effects vehicles for use in the Arctic. Increases of \$42 million in civilian marine programs are partially offset by reductions in Navy, chiefly in deep submergence development and charting and mapping programs.

Table Q-8. **FEDERAL MARINE SCIENCE, TECHNOLOGY AND RELATED ACTIVITIES** ¹ (in millions of dollars)

Department or agency	1969 actual	1970 estimate	1971 estimate
Defense ²	261	265	247
Interior	81	99	95
National Science Foundation	35	41	63
Commerce	38	49	59
Transportation	20	31	43
Atomic Energy Commission	11	10	10
Health, Education, and Welfare	7	7	9
State	7	8	8
Agency for International Development	2	3	3
Smithsonian Institution	2	2	2
National Aeronautics and Space Administration	2	2	2
Total obligations	465	516	540

¹ The definition of marine science and technology used in this table is considerably broader than research and development. Included are such diverse activities as mapping and charting, marine environmental observation and prediction, planning for and development of coastal areas for conservation and recreation, loans for promoting the expansion of fishing industries in developing countries, and contributions to international organizations engaged in ocean related activities. These figures are not strictly comparable to those shown for marine science and technology last year.

² Excludes development of the Navy's surface effects ships program which will increase from \$8 million in 1970 to \$20 million in 1971.

SPACE

In 1971 budget authority and expenditures for total Federal space programs will decline, primarily as a result of the cancellation of the Air Force's Manned Orbiting Laboratory, completion of the expensive development phase of the Apollo lunar landing program and the planned suspension of Saturn V launch vehicle and spacecraft production.

The operational meteorological, communications, and navigation satellite systems of the Departments of Commerce and Defense are included in the space program totals although they are not included in the totals for research and development.

NASA programs are described in table Q-6 and on pages 825-831 of the Budget Appendix.

Department of Defense funding supports satellite development, portions of missile development, and range operations. This includes communications, navigation, and nuclear detection satellite programs.

Estimates for the Atomic Energy Commission reflect slight decreases related to the development of the NERVA nuclear rocket and space nuclear electric power sources for space applications. Funds for Interior and Agriculture support their participation in the Earth Resources Technology Satellite project. National Science Foundation space related activities are for research rockets and satellite and observation instruments.

Table Q-9. FEDERAL SPACE PROGRAMS (in millions of dollars)

Department or agency	Budget authority			Expenditures		
	1969 actual	1970 estimate	1971 estimate	1969 actual	1970 estimate	1971 estimate
National Aeronautics and Space Administration ¹	3,827	3,552	3,148	4,083	3,710	3,219
Defense.....	2,013	1,756	1,674	2,095	1,820	1,690
Atomic Energy Commission.....	118	102	99	116	103	104
Commerce.....	20	7	26	31	27	24
Interior.....	2	3	4	2	3	4
National Science Foundation.....	2	2	2	2	2	2
Agriculture.....	1	1	2	1	1	2
Total.....	5,983	5,423	4,954	6,330	5,666	5,045

¹ Excludes amounts for aviation technology.

HISTORICAL SUMMARY

The table below gives historical data on total research and development expenditures by major agency.

Table Q-10. EXPENDITURES FOR RESEARCH AND DEVELOPMENT,¹ 1954-71 (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	34	220	4,991
1959.....	4,183	145	877	253	54	294	5,806
1960.....	5,654	401	986	324	64	315	7,744
1961.....	6,618	742	1,111	374	83	356	9,284
1962.....	6,812	1,251	1,284	512	113	409	10,381
1963.....	6,849	2,539	1,336	632	153	490	11,999
1964.....	7,517	4,171	1,505	793	203	518	14,707
1965.....	6,728	5,093	1,520	738	206	604	14,889
1966.....	6,735	5,933	1,462	879	241	768	16,018
1967.....	7,680	5,426	1,467	1,075	277	917	16,842
1968.....	8,164	4,724	1,594	1,283	315	950	17,030
1969.....	7,858	4,252	1,654	1,221	342	882	16,208
1970 estimate.....	7,714	3,889	1,623	1,323	342	998	15,889
1971 estimate.....	7,782	3,403	1,640	1,377	347	1,147	15,696

¹ Including research and development facilities.² Includes civil functions.³ National Advisory Committee for Aeronautics prior to 1958.

PART 4

ANALYTIC PROGRAM
STRUCTURE

INTRODUCTION

Part 4, Special Analysis R, presents the budgets of a number of the larger agencies in terms of the program structure used for program evaluation and planning in each agency.

The program structures do not always conform to the organizational structure or appropriation pattern of an agency. This presentation, therefore, provides a different perspective from the view presented in Part 5 of the Budget, and cannot be directly interrelated with those data.

SPECIAL ANALYSIS R

SELECTED AGENCY BUDGETS BY PROGRAM CATEGORIES

In this analysis Federal financial data are displayed in terms of the program structures of selected agencies for the three years covered by the budget. Program structures are developed to reflect the major objectives and outputs of agency expenditures and are intended for use primarily in program evaluation and planning. This is in contrast to appropriation structures, which reflect objects of expenditure, such as personnel pay and construction and are useful for the control function of budgeting. Twenty agencies are included in this analysis; they account for \$201.3 billion, 93% of the recommended budget authority for 1971.

Budget authority shown in this way reveals the relative magnitudes of effort being devoted to each objective as well as information on the changes in the level of effort over time. The tables, however, make no claim to show how efficiently or effectively various objectives are being achieved. Comments accompanying the tables are designed to draw attention to the most significant aspects of the tables, to give some additional explanation of the program objectives, and to interpret changes over time in the most significant program categories.

Because the program structure is by agency and not government-wide, caution should be used in making interagency comparisons. Similar wording in titles in two or more agencies may relate to different objectives. Also, the classification may or may not conform either to the organizational or appropriation structures of an agency. In several cases, the amounts shown by program category and subcategory are derived by distribution of appropriation totals, and statistical allocations have been used where necessary to distribute appropriations to the agency program structure. Further subdivision of the program structure into program elements is available, but was not included because of the length and detail of the agency program structure.

Improvements are being made in agency program structures. These changes offer prospects for better identification of major agency objectives, greater flexibility in displaying program data by multiple objectives, elimination of unnecessary detail or fragmentation of operating program data, and further development of a government-wide program structure into which agency structures could fit. In addition, efforts are being directed toward relating financial data to pertinent output, benefit, beneficiary, and social impact data. These efforts should add to the usefulness of program structures in program planning and policy analysis in the years ahead.

DEPARTMENT OF AGRICULTURE

The program structure consists of 15 categories and comprehensively reflects the major objectives of the Department of Agriculture.

These objectives can be conveniently grouped into seven departmental goals: (1) enhance farm incomes, (2) improve agricultural production and marketing, (3) expand exports of agricultural commodities, (4) reduce and eventually eliminate hunger and malnutrition, (5) assure the wholesomeness of meat and poultry and protect the public from harmful pesticides and other hazards, (6) enhance rural development, and (7) manage public timber resources effectively.

Major changes in program levels for 1971 include: a rapid expansion in Food and nutrition to implement the President's new Food Stamp program and extend food assistance to needy families in all areas of the country on a full-year basis; nearly doubling the housing loan program through insured and guaranteed loans to help meet the rural share of the national housing goals; selective increases in programs to promote the economic and social development of rural areas, placing greater reliance on States and local community leadership; and reductions in programs contributing to excess agricultural production capacity.

Table R-1. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF AGRICULTURE (in millions of dollars)

Program category	1969 actual	1970 estimate	1971 estimate
Farm income.....	6,176	4,673	4,184
Agricultural production capacity.....	595	620	407
Agricultural marketing and distribution system.....	133	145	144
Food for peace.....	301	921	933
Export market development.....	35	70	65
Foreign agricultural development.....	4	4	4
Food and nutrition.....	1,039	1,516	2,089
Health and safety.....	111	132	144
Youth development and family living.....	40	42	45
Community development services.....	28	31	53
Housing ¹	135	42	56
Public facility and business expansion.....	413	445	403
Resource protection and environmental improvement.....	225	240	225
Recreation, wildlife, and natural beauty.....	71	61	60
Timber.....	341	368	312
General administration.....	5	5	6
Program support.....	40	45	50
Total distributed to programs above.....	9,691	9,361	9,181
Deduction for offsetting receipts.....	-516	-564	-604
Total budget authority, Department of Agriculture.....	9,176	8,797	8,577

¹ Budget authority does not reflect program level.

DEPARTMENT OF COMMERCE

The Department of Commerce engages in a wide range of activities, which are directed toward assisting the economic development of the country.

The reduction in budget authority for Periodic data production results from the completion in 1970 of major elements of data collection for the decennial census. Activity will increase in 1971 on other smaller periodic censuses.

Within the Economic development assistance category, the decrease in Other area assistance from 1970 to 1971 is more than offset by the increase in District programs. This reflects the double effect of the continued increase in the number of development districts and the policy of giving preference to projects within districts as opposed to isolated redevelopment areas.

The Promotion of industry and commerce category is primarily aimed at improving the U.S. balance of trade. Eighty-one percent of the increase in budget authority for the category will be used for this objective.

Increases for Environmental science services are primarily for improvements in forecasts and warnings of natural disasters such as floods, hurricanes, tornadoes, and severe storms. Approximately 45% of the increase in budget authority is for restoration of financing of the operation of weather satellites that were financed in 1970 by prior year appropriations.

Promotion of the merchant marine reflects the Administration's new program to modernize the U.S. Merchant Marine fleet, to make it more competitive in world trade, to decrease fleet operating subsidies, and to reduce the fleet's dependence on public construction subsidies in future years.

**Table R-2. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF COMMERCE (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
General purpose data production and economic analysis:			
Current data production programs.....	18.1	19.6	22.7
Periodic data production programs.....	24.4	159.5	55.2
Statistical services.....	3.9	3.6	3.1
Construction and analysis of national economic accounts.....	3.1	3.4	4.1
Category total.....	49.5	186.2	85.0
Economic development assistance:			
Regional programs.....	26.9	31.0	56.9
District programs.....	84.1	79.3	114.8
Urban programs.....	31.2	21.5	30.0
Other area assistance.....	81.4	88.2	66.2
Indian programs.....	20.0	27.5	27.4
Special problem area programs.....	16.0	9.5	-----
Research.....	3.0	2.2	3.0
General administration.....	19.6	20.6	21.6
Category total.....	282.1	279.8	319.9
Promotion of industry and commerce:			
Business assistance.....	6.3	6.9	7.8
International business development.....	16.8	21.7	27.2
Export control.....	5.5	5.8	5.9
Field program operations.....	5.1	5.7	6.3
Foreign direct investment regulation.....	3.7	3.1	3.0
Promotion of travel to the United States.....	4.5	4.5	6.5
Promotion of minority business enterprise.....	-----	1.2	1.6
Category total.....	41.8	48.9	58.3

**Table R-2. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF COMMERCE (in millions of dollars)—Continued**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Environmental science services:			
Weather forecasts and warnings.....	95.6	104.5	120.3
River and flood forecasts and warnings.....	4.1	4.2	6.8
Earth description, mapping, and charting.....	14.1	15.0	17.3
Marine description, mapping, and charting.....	22.4	27.2	27.3
Telecommunications and space services.....	6.6	6.4	6.6
Environmental satellite.....	22.7	10.0	28.8
Retired pay, commissioned officers.....	1.2	1.2	1.4
Category total.....	166.7	168.5	208.4
Physical measurements and standards:			
Basic measurements and standards.....	13.2	12.7	15.7
Materials measurements and standards.....	17.3	19.0	20.4
Technological measurements and standards.....	6.1	6.6	8.6
Category total.....	36.6	38.3	44.7
Technological development and utilization:			
Grant and issuance of patents and registration of trademarks.....	42.5	47.6	51.1
State technical service.....	5.3	.3	-----
Transfer of technology.....	3.9	4.5	4.8
Category total.....	51.7	52.4	55.9
Promotion of the merchant marine:			
Fleet development.....	123.9	28.0	221.5
Fleet operation.....	213.9	236.1	198.9
Category total.....	337.8	264.1	420.4
General administration.....	5.4	6.4	6.6
Total distributed to programs above.....	971.6	1,044.6	1,199.2
Deductions for offsetting receipts.....	-23.4	-20.5	-19.1
Intergovernmental transactions.....	-7.5	-6.9	-10.5
Total budget authority, Department of Commerce.....	940.7	1,017.3	1,169.6

DEPARTMENT OF DEFENSE—MILITARY

The military programs of the Department of Defense provide for the security of the United States and protect its vital interests abroad. These programs have been subjected to the most comprehensive reexamination ever taken. Because not all of the activities planned when this Administration took office are now required, the defense needs of the United States can safely be met in 1971 within lower budget levels.

The Strategic forces must at all times constitute a deterrent against an evolving nuclear threat. To accomplish this will require budget

authority of about \$7.7 billion in 1971, compared with \$7.1 billion in 1970 and \$8.2 billion in 1969.

The General purpose forces must be substantial to cope with a wide range of contingencies other than general nuclear war. At the same time U.S. allies should be expected to carry the principal burden for their internal defense. In accord with these considerations, the general purpose forces will require the largest share of the military budget in 1971. It is, however, a declining share. This decline, which also reflects falling manpower levels, can be seen in the budget requirements of the other defense programs which support the strategic and general purpose forces.

The Research and development program provides for the aggressive, but prudent and selective effort, to ensure that our forces in the future will be equipped to meet effectively an evolving threat.

**Table R-3. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF DEFENSE—MILITARY (in millions of dollars)**

Program category	1969 actual	1970 estimate	1971 estimate
Strategic forces.....	8,174.0	7,091.5	7,712.8
General purpose forces.....	29,131.9	26,418.1	24,023.5
Intelligence and communications.....	5,585.3	5,313.0	5,115.3
Airlift and sealift.....	1,497.2	1,597.9	1,428.6
Guard and Reserve forces.....	2,125.5	2,498.0	2,465.4
Research and development.....	4,594.6	4,767.5	5,396.2
Central supply and maintenance.....	9,311.8	9,283.0	8,358.4
Training, medical, and other general personnel activities.....	12,369.3	12,913.2	12,550.1
(Retired pay included in category above).....	(2,450.0)	(2,859.0)	(3,194.0)
Administration and associated activities.....	1,307.5	1,462.9	1,485.5
Support to other nations.....	2,040.8	2,273.1	2,419.4
Total distributed to programs above.....	76,137.9	73,618.2	70,955.2
Undistributed nonprogram financing adjustments.....	832.5	-134.5	-157.6
Total budget authority, Department of Defense.....	76,970.4	73,483.8	70,797.6

DEPARTMENT OF DEFENSE—CIVIL: ARMY CORPS OF ENGINEERS

The civil works program of the Army Corps of Engineers provides for the planning and development of water and related land resources in each of the Nation's 19 major regions. These regions, together with the General support category, as set forth below, provide the focus for management of the civil works program.

The long-range objective of the Corps in project planning is to relate projects to the needs of the people of each river basin or region as defined in the Water Resources Council's comprehensive planning program and national assessment. Flood control continues to require the largest proportion of funds, followed by multiple purpose power facilities and navigational facilities during 1969-71. For allocation of funds in these terms, see Special Analysis P, Federal Public Works Activities.

**Table R-4. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF DEFENSE—CIVIL: ARMY CORPS OF ENGINEERS**
(in millions of dollars)

Program category	1969 actual	1970 estimate	1971 estimate
New England region.....	19.5	18.7	28.8
Middle Atlantic region.....	59.4	66.7	95.9
Gulf and South Atlantic region.....	94.6	98.6	122.3
Ohio region.....	149.7	147.1	188.1
Great Lakes region.....	37.7	38.1	44.7
Upper Mississippi region.....	76.3	60.4	80.0
Souris-Red-Rainy region.....	.9	1.1	1.4
Missouri River region.....	88.0	72.7	94.5
Arkansas-White-Red region.....	167.4	141.2	123.8
Lower Mississippi region.....	117.5	123.0	141.9
Rio Grande region.....	9.1	5.4	11.7
Texas Gulf region.....	43.1	40.5	58.4
Colorado region.....	1.7	2.5	5.5
Great Basin region.....	.1	.4	.8
California region.....	51.6	48.0	79.0
Columbia-North Pacific region.....	215.6	166.5	222.7
Alaska region.....	6.2	6.8	14.7
Hawaiian Islands region.....	.8	.8	1.6
Puerto Rico and Virgin Islands region.....	.5	.1	.3
General support.....	62.1	67.4	46.4
Total distributed to programs above.....	1,201.8	1,106.0	1,362.5
1969 reserve (Public Law 90-364).....	43.8	-43.8	
1970 budgetary reserve to be applied in 1971.....		192.4	¹ -92.4
Offsetting proprietary receipts.....	-8.3	-7.3	-7.5
Total budget authority, Army Corps of Engineers, Civil.....	1,237.3	1,147.3	1,262.6

¹ Exclusive of budgetary reserve for contract-deferral program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

The broad objectives of the Department are reflected by four program categories: Education, Health, Social and rehabilitation services, and Income security and their associated subcategories.

Budget authority requests for educational programs increase \$337 million over 1970 with special emphasis in all subcategories on experimentation with new techniques. The Health subcategories reflect the rapid rise in health-related costs, especially Provision of health services; emphasis on increasing the supply of health manpower; and the concern for improving the organization and delivery of health services. The subcategories under Social and rehabilitation services reflect the emphasis on improving individual capability for self-support through various public assistance programs primarily administered by State and local governments. Income security is primarily provided through social insurance and public assistance programs. Increases in Other individual and family support include

growth in the Aid to Families with Dependent Children program and \$500 million in 1971 for the initiation of the Family Assistance Program. Increasing knowledge provides funds for program experimentation to assure improved performance in the future. (See also *Special Analyses I, K, and L.*)

**Table R-5. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE**
(in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Education:			
Development of basic skills.....	2,347.6	1,963.1	2,243.5
Development of vocational and occupational skills.....	276.8	309.7	398.7
Development of academic and professional skills.....	874.7	892.3	871.5
Library and community development.....	85.0	46.8	30.5
General research (nonallocable research).....	39.5	33.5	35.9
General support.....	42.9	47.3	49.9
Category total.....	3,666.6	3,292.7	3,629.9
Health:			
Development of health resources.....	2,107.7	2,060.5	2,127.0
Prevention and control of health problems.....	461.2	480.0	499.0
Provision of health services.....	9,753.5	10,571.8	13,251.8
General support.....	67.4	63.4	70.5
Category total.....	12,389.8	13,175.8	15,948.3
Social and rehabilitation services:			
Improving individual capability for self-support.....	586.0	754.4	877.7
Improving the social functioning of individuals and families.....	297.1	415.8	412.1
General development of social and rehabilitation resources.....	109.8	108.2	123.3
General support.....	91.2	132.3	140.2
Category total.....	1,084.1	1,410.7	1,553.3
Income security:			
Aged assistance.....	28,238.5	32,609.9	34,628.5
Disability assistance.....	4,144.8	4,889.1	5,707.2
Other individual and family support.....	1,890.8	2,400.3	3,413.9
Increasing knowledge.....	.8	8.7	9.6
General support.....	322.3	361.3	451.6
Category total.....	34,597.1	40,269.3	44,210.8
Executive direction and management (Office of the Secretary) ..	26.0	38.5	45.0
Total distributed to programs above.....	51,763.6	58,187.0	65,387.4
Net deductions for interfund transactions and receipts from the public not distributed above.....	-526.5	-550.3	-584.0
Total budget authority, Department of Health, Education, and Welfare.....	51,237.1	57,636.7	64,803.4

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The fundamental objective of the Department's programs is to assist in the realization of a "decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities." This objective is evident in the major categories. The first category relates specifically to housing and mortgage markets. The next four categories contain programs which help to improve the general urban environment by assisting State and local governments with the costs of public facilities, urban redevelopment, and management of community development activities.

In 1971, budget authority for the Department's housing programs will total nearly \$1 billion. In addition, several housing programs improve the efficiency of mortgage markets (e.g., guarantee of mortgage-backed securities and insurance of home loans) usually without requiring budget authority. Even in the case of programs which do require budget authority—mainly those which help to provide housing for low- and moderate-income families—a comparison of the 1970 and the 1971 figures is misleading because the 1970 totals include nonrecurring authority to purchase mortgages, which the Department will use in ways that do not result in large budget outlays.

Budget authority requested for programs in the four categories designed to improve the general urban environment is about \$2 billion for 1971. Urban Renewal and Model Cities account for \$1.6 billion. There are selected increases in other community development programs.

The Department's research and demonstration in urban technology will grow to \$55 million in 1971—more than double the 1970 level. This will support Operation Breakthrough: an effort to assure the ability of the homebuilding industry to meet future housing needs. Other research and technology projects are designed to improve the process of urban development.

Table R-6. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 (in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Assuring decent housing for all Americans:			
Assuring an adequate supply of low- and moderate-income housing.....	1,293.2	2,642.1	923.2
Promoting the efficient functioning of private housing markets..	1.5	2.4	6.1
Category total.....	1,294.7	2,644.5	929.3
Assuring adequate and efficient local public and private facilities and services.....	203.2	180.8	193.2
Improving the physical environment of urban communities (urban renewal).....	1,047.8	1,077.5	1,085.0

**Table R-6. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—(Continued)**
(in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Improving the social environment of urban communities:			
Model cities and governmental relations.....	312.5	575.0	575.0
Fair housing and equal opportunity.....	2.0	6.3	11.3
Category total.....	314.5	581.3	586.3
Improving management of community development activities:			
Improving governmental planning and executive management of community development.....	43.8	50.0	60.0
Additional education and training for efficient urban develop- ment and management.....	3.5	3.5	3.5
Category total.....	47.3	53.5	63.5
Improving management of departmental programs and resources:			
Research and demonstrations in urban technology.....	18.2	23.0	55.0
Provide executive direction and general support.....	59.1	76.9	84.8
Liquidate assets of terminated and other programs.....	40.1	-----	-----
Category total.....	117.5	99.9	139.8
Adjustments to budget authority, net.....	-11.8	2.0	.2
Total budget authority, Department of Housing and Urban Development.....	3,013.2	4,639.6	2,997.3

DEPARTMENT OF THE INTERIOR

The Department of the Interior is concerned with the management, conservation, and development of the Nation's water, energy, minerals, timber, forage, fish, wildlife, and outdoor recreation resources. It also has major responsibilities for Indian and territorial affairs. Implicit in many of the Department of the Interior's activities is an overall concern for the quality of the environment, which is reflected in a number of program categories and subcategories.

The largest single environmental program is water pollution control, which is included in the Management and supply subcategory of Water and power. This category reflects the initiation of the 5-year \$4 billion water pollution control program for constructing of waste treatment plants. It also includes grants to States to improve water-quality management. Water data and support functions includes training for waste treatment plant operators; support for higher education in engineering, biology, and related fields; basinwide and regional planning; and maintenance of the Nation's basic water data network. Research includes projects dealing with water quality, subsurface waste storage, conversion of salt water to fresh water, weather modification, underground power transmission, demonstration of waste treatment facilities, and basic research on hydrologic phenomena.

The subcategories under Minerals represent various objectives including enhancing the usefulness of our mineral resources through

research, efficient management of mineral resources on Federal lands and improvement in Mining health and safety, which rises significantly in fiscal year 1971 as a result of the passage of Federal Coal Mine Health and Safety Act of 1969.

The Land, forage, timber category includes research in geology, earthquakes and volcanic phenomena; and fire protection and land restoration programs. Transportation funds are used for road building associated with Timber production. Funds for Fire protection in 1969-71 reflect the uncertainties of fire occurrence.

The Recreation use and preservation category reflects large increases in fiscal year 1971 for land acquisition, an essential step in park development. In addition, the program structure reveals the rough distribution of effort among Land acquisition under the Land and Water Conservation fund, construction of facilities, and operation, and gives some indication of the rising commitment for Federal park and recreational areas.

The program structure for the Indians category reveals the wide variety of objectives supported by Bureau of Indian Affairs programs and the especial importance of Elementary and secondary education programs. Reservation development shows a decrease in 1971 because of the financing of Indian roads from prior-year balances.

Budget authority in 1970 and 1971 for the Trust Territory contains increases for expanded education, health and economic development programs.

Table R-7. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF THE INTERIOR (in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Water and power:			
Water data and support functions.....	39.3	42.1	46.3
Research.....	93.5	87.8	105.8
Management and supply.....	414.8	1,107.5	4,217.6
Recreation development and construction.....	7.5	10.9	10.6
Transmission and distribution of power.....	132.1	123.3	106.4
Operation and maintenance.....	73.7	80.6	84.5
Emergency funds not subject to advance allocation.....		1.0	1.0
General support.....	22.4	24.9	25.6
Category total.....	783.3	1,478.1	4,597.8
Minerals:			
Information, support and regulatory functions.....	9.8	11.2	12.7
Classification, leasing, and sale.....	6.9	10.0	11.6
Geologic sources.....	14.8	14.7	14.0
Primary nonfuel minerals supply.....	17.4	21.2	21.3
Liquid fuel.....	10.8	10.1	9.3
Gaseous fuels.....	7.2	8.3	10.3
Solid fuels.....	2.4	3.7	3.6
Nonenergy uses of fuels.....	2.1	1.5	1.4
Mining health and safety.....	12.1	26.4	54.2
Special programs.....	41.0	47.7	44.6
Environmental protection.....	4.7	4.1	4.3
General support.....	2.2	2.4	2.5
Category total.....	131.6	161.4	189.8

**Table R-7. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF THE INTERIOR (in millions of dollars)—Continued**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Land, forage, timber:			
Land classification and disposition.....	8.0	8.6	9.1
Earth study and measurement.....	42.2	45.9	49.6
Earth hazards.....	1.6	1.8	1.9
Land utilization, protection, and restoration.....	11.6	11.9	12.0
Timber production.....	9.5	10.9	11.7
Livestock forage production.....	8.8	9.7	9.8
Transportation system.....	16.9	14.5	13.1
Fire protection.....	17.5	31.3	6.9
O & C allocation to Forest Service.....	2.1	2.0	2.5
General support.....	4.9	5.1	5.2
Category total.....	123.1	141.8	121.7
Aquatic living commercial resources:			
Established fisheries.....	22.6	20.5	15.7
Developing fisheries.....	2.5	2.9	2.7
General research.....	7.1	8.4	8.3
Services, facilities, and equipment.....	14.6	17.2	15.5
General support.....	3.6	4.4	4.7
Category total.....	50.4	53.5	46.9
Recreation use and preservation:			
Planning and assistance.....	13.3	15.8	23.0
Land acquisition—LWCF.....	189.9	112.8	294.3
Land acquisition—Other.....	13.6	11.3	13.0
Development and construction—adding new capacity.....	28.3	60.8	41.6
Development and construction—supplementing existing capital.....	2.8	12.9	7.9
Other road construction.....	1.8	12.2	1.3
Management/operations/maintenance—new capacity.....	.9	1.3	1.9
Management/operations/maintenance—existing capital.....	80.9	97.5	102.7
Resource protection—NPS.....	2.8	3.3	2.3
Rare or endangered species.....	1.1	1.1	1.3
Wildlife habitat and production—including migratory birds.....	62.3	69.4	72.6
Fish habitat and production.....	26.2	29.9	31.4
Indian fish and wildlife.....	1.1	1.7	1.6
General support.....	5.5	6.2	6.3
Category total.....	430.6	436.4	601.1
Indians:			
Preschool education.....	.9	3.5	7.3
Elementary and secondary education.....	89.8	106.7	116.8
Post-secondary education.....	5.1	6.3	8.7
Educational research and development.....		.3	.6
School construction.....	15.6	14.9	9.1
Reservation development.....	74.2	79.0	48.9
Community services.....	55.4	79.6	88.8
Repair and maintenance, B and U.....	16.6	19.1	19.6
Claims and treaty obligations.....	.2	.2	.2
General support.....	12.7	14.2	13.1
Tribal funds.....	106.0	101.6	70.1
Category total.....	376.5	425.2	383.2

**Table R-7. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF THE INTERIOR (in millions of dollars)—Continued**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Territories:			
Trust Territory.....	30.0	48.1	60.0
American Samoa.....	7.6	7.2	8.2
Guam.....	6.1	7.5	8.3
Virgin Islands.....	13.2	11.5	12.5
Office of Territories.....	.4	.4	.5
Category total.....	57.3	74.7	89.6
Other programs:			
Payments to Treasury, States, and subdivisions.....	83.8	93.7	98.1
Secretarial direction and administrative support (solicitor).....	5.6	6.7	7.3
Secretarial direction and administrative support (secretary).....	8.7	10.9	12.0
Category total.....	98.1	111.3	117.4
Total distributed to programs above (Federal and trust funds).....	2,050.8	2,882.4	6,147.6
Offsetting proprietary receipts.....	-1,043.4	-962.3	-1,638.1
Intragovernmental transactions.....	-40.3	-31.4	-----
Total budget authority, Department of the Interior.....	967.2	1,888.6	4,509.5

DEPARTMENT OF JUSTICE

The Department of Justice is charged with the enforcement of Federal laws, the rehabilitation of Federal offenders, the control of immigration and naturalization, and the general legal representation of the Federal Government. In the past 3 years, it has also assumed the important task of providing financial aid to State and local law enforcement agencies.

The program structure shows the allocation of the Department's budget in terms of its major objectives. These allocations show the emphasis being placed upon the Administration's fight against crime and narcotics, and its concern with effective enforcement of civil rights laws. Improvement of State and local law enforcement operations shows a major program increase of \$188.7 million in 1971. Funds for control of narcotics and dangerous drug abuse increase by about 30% over the 1970 level and are nearly double the 1969 level. Additional funds for Correction of Federal offenders reflect the Administration's commitment to improve the Federal prison system. Budget authority for civil rights and community relations activities increases so that the 1971 level is nearly 150% of the 1969 level. This reflects the Administration's strong commitment in this area.

Consumer protection has been made a separate category in this table to emphasize the importance the Administration attaches to this developing area of the Department's activities.

(Special Analysis M in Part 2 of this volume reviews the Federal programs for the reduction of crime.)

**Table R-8. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF JUSTICE (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Reduction in crime:			
Organized crime.....	18.2	23.2	25.2
Interstate crime.....	48.0	58.9	59.6
Federal crime.....	74.4	80.9	82.3
Crime prevention.....	1.5	1.8	1.9
Category total.....	142.1	164.8	169.0
Law enforcement assistance:			
Improvement of State and local law enforcement planning....	19.0	21.0	26.0
Improvement of State and local law enforcement operations....	53.1	244.5	433.2
Research and development of devices, systems, and procedures....	3.0	7.5	19.0
Support to law enforcement personnel for education and training.....	8.8	20.5	25.4
Development of information and statistical programs.....		1.0	4.0
Program support.....	2.2	4.1	6.0
Category total.....	86.1	298.6	513.6
Correction of Federal offenders:			
Custody and physical security of offenders.....	18.7	21.6	27.7
Inmate care, maintenance and operation of institutions.....	34.3	50.3	68.0
Rehabilitation of offenders.....	15.4	18.8	25.3
Assistance to non-Federal correctional systems.....	.1	.3	.8
Research.....	.4	.5	.7
Program support.....	.8	.9	1.1
Category total.....	69.7	92.4	123.6
Control of narcotics and dangerous drug abuse:			
Law enforcement.....	17.2	24.2	30.9
Treatment of narcotics and dangerous drug offenders.....	1.0	1.8	3.1
State and local assistance.....	.2	.9	1.0
Drug abuse prevention.....	1.2	1.9	2.1
Program support.....	2.1	2.7	3.7
Category total.....	21.7	31.5	40.8
Internal security and governmental integrity:			
Integrity of Government personnel.....	26.4	26.6	26.9
Security of Government, Government programs, and Government property.....	.9	1.0	1.1
Security of Government international affairs.....	.3	.4	.5
Identification, exposure, and control of subversive movements....	24.8	28.8	29.1
Program support.....	.1	.1	.1
Category total.....	52.5	56.9	57.7
Civil rights and community relations:			
Equal employment opportunity.....	1.0	1.6	1.8
Housing.....	.6	.9	1.1
Public education.....	.9	1.3	1.5
Interference with civil rights.....	16.3	19.2	21.8
Voting.....	.7	.9	1.0
Federally assisted programs.....	.3	.3	.3
Public accommodations and facilities.....	.4	.5	.5
Community relations assistance.....	2.3	3.3	5.0
Category total.....	22.5	28.0	33.0

**Table R-8. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF JUSTICE (in millions of dollars)—Continued**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Competition in the American economy:			
Anticompetitive conduct.....	4.2	4.6	4.9
Anticompetitive market structures.....	3.6	4.6	4.9
Governmental intervention and influence.....	.9	1.1	1.2
Category total.....	8.7	10.3	11.0
Legal representation of and advice to Federal officers and agencies:			
Integrity of the revenue system.....	6.9	8.0	8.2
Defense of monetary claims.....	6.6	7.9	8.0
Recovery of money owed the United States.....	5.2	6.1	6.4
Integrity of administrative action.....	4.8	5.4	5.8
Land acquisition.....	3.1	3.5	3.6
Protection and development of natural resources.....	1.3	1.6	1.7
Category total.....	27.9	32.5	33.7
Support of the Federal judicial system:			
Facilitation of litigation.....	15.0	19.4	20.2
Protection of the integrity of the judicial system.....	2.2	2.6	2.7
Category total.....	17.2	22.0	22.9
Immigration and naturalization:			
Control of persons entering the United States.....	46.9	54.5	59.2
Control of aliens in the United States.....	27.4	31.2	33.5
Naturalization.....	4.8	5.4	5.9
Central information record.....	7.3	8.3	9.2
Program support.....	4.8	5.5	5.9
Category total.....	91.2	104.9	113.7
General support:			
Executive direction.....	1.9	2.4	2.5
Personnel.....	.4	.6	.7
Management support information.....	.7	1.0	1.4
Administrative services.....	3.1	3.4	3.9
Category total.....	6.1	7.4	8.5
Consumer protection.....		.5	1.3
Deductions for offsetting receipts.....	-1.7	-1.7	-1.7
Total budget authority, Department of Justice.....	543.8	847.9	1,127.1

DEPARTMENT OF LABOR

The Department of Labor's primary mission is to improve the working and living conditions of the Nation's work force. The principal means through which this mission is pursued, as reflected in the Department's program structure, are: (a) Manpower development and employment assistance, to help workers prepare for and obtain employment; (b) provision of Income maintenance to workers injured at work or involuntarily unemployed; (c) Wage and labor standards programs to achieve improved wages, safety, and general working

conditions of workers; (d) measures to improve relations between organized labor and management; (e) collection and analysis of basic data on employment and working conditions of workers; and (f) management support for the above activities.

The largest of these areas is Income maintenance, largely in the unemployment insurance program, which provides income to workers involuntarily unemployed. In recent years a major thrust of the Department has centered on Manpower development and employment assistance, which has grown rapidly. Within this category On-the-job and Institutional training loom large, reflecting the emphasis on providing services to the disadvantaged who experience difficulty in obtaining suitable employment.

**Table R-9. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF LABOR (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Manpower development and employment assistance:			
On-the-job training.....	102.9	284.6	350.0
Institutional training.....	206.1	206.1	226.1
Work experience.....	13.0	26.4	-----
Special targeted training.....	31.4	49.6	76.0
Employment assistance.....	309.0	350.5	379.7
Research, development, and evaluation.....	23.2	23.6	25.1
Program services.....	86.4	123.8	137.8
Category total.....	772.0	1,064.6	1,194.7
Income maintenance:			
Workers compensation (Federal).....	69.0	60.5	110.2
Unemployment insurance (Federal).....	149.2	135.0	199.5
Unemployment insurance (State).....	3,221.9	3,228.3	3,203.8
Administration.....	322.7	320.0	351.9
Category total.....	3,762.8	3,743.8	3,865.4
Wage and labor standards.....	32.1	35.1	38.6
Labor management relations.....	9.0	13.1	17.2
Data collection, analysis, and dissemination.....	22.0	24.2	27.7
General support.....	14.4	16.2	18.7
Total distributed to programs above.....	4,612.3	4,897.0	5,162.3
Proposed for separate transmittal.....	-----	50.3	663.5
Total budget authority, Department of Labor.....	4,612.3	4,947.3	5,825.8

POST OFFICE DEPARTMENT

The eight categories of the Post Office Department's program structure describe both the basic postal service function of acceptance, processing, transportation, and delivery of the mail, and necessary support activities.

Between 1970 and 1971 the estimated increases in funding for Direct services to mailers, Processing of mail, and Delivery services are all under 1.5%, reflecting some productivity increases and an approximate 2.4% growth in mail volume. The funding of support activities

is growing faster than the growth in mail-volume: approximately 5% for Administrative postal support, 9% for Enforcing postal laws and regulations, 31% for Research, development, and engineering, and 68% for Capital investment within the Logistical postal support category. It is this increased investment in new facilities and mechanized mail processing equipment plus improvement in management techniques, and Research, development, and engineering, which, over time, should achieve slower cost growth in the basic operating functions.

Table R-10. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
POST OFFICE DEPARTMENT (in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Direct services to mailers:			
Combined postal services at small post offices	713.1	765.4	775.4
Window and vending services	224.0	242.6	246.2
Collection service	63.4	66.7	67.5
Category total	1,000.5	1,074.8	1,089.1
Processing of mail:			
Combined mail processing at medium-size post offices	378.4	408.6	414.8
Platform operations	244.1	265.6	271.0
Mail preparation	76.5	79.6	75.8
Mail distribution	1,241.3	1,333.0	1,344.2
Category total	1,940.4	2,086.9	2,105.8
Delivery services:			
Government vehicle service mail transportation	62.8	67.9	69.7
Preparation of mail for delivery	579.2	624.0	636.8
City delivery	1,131.1	1,209.2	1,222.7
Special delivery	61.6	62.2	64.3
Rural delivery	400.1	417.2	422.0
Category total	2,234.8	2,380.4	2,415.5
Transportation:			
Intercity transportation	520.4	543.4	559.0
International transportation	48.8	51.6	56.7
Other transportation services	46.0	45.8	45.4
Category total	615.2	640.7	661.0
Enforcing postal laws and regulations:			
Postal crimes and prohibited mailings	15.8	20.2	23.1
Administrative compliance	12.2	13.7	14.2
Category total	28.0	33.9	37.3
Research, development, and engineering:			
General research	2.8	10.0	12.3
Applied research and development	16.2	27.0	34.7
Engineering	4.6	10.8	15.8
Category total	23.6	47.8	62.8

**Table R-10. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
POST OFFICE DEPARTMENT (in millions of dollars)—Continued**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Administrative postal support:			
Departmental administration.....	32.4	47.2	55.4
Regional administration.....	66.1	79.4	87.3
Post office administration.....	445.3	503.3	516.7
Category total.....	543.7	629.9	659.4
Logistical postal support:			
Capital investment.....	245.7	352.5	590.8
Expense.....	596.1	683.1	740.6
Category total.....	841.8	1,035.5	1,331.5
Total obligations.....	7,228.1	7,930.0	8,362.5
Net postal revenues.....	-6,114.4	-6,525.3	-7,695.0
Net unobligated budget authority.....	95.5	33.0	-84.2
Total budget authority, Post Office Department.....	1,209.2	1,437.7	583.3

DEPARTMENT OF TRANSPORTATION

The basic objective of the Department of Transportation is to promote greater comfort, safety, speed, efficiency, and reliability in all modes of transportation. In addition, the Department supports science objectives, for example, by providing ice-breaking services for scientific exploration of the polar regions. The program structure below was developed with these objectives in mind.

Expenditures on one mode of transportation often affect other modes as well; for example, a new urban highway may encourage users of mass transit to commute by driving, thus placing the suppliers of mass transit in financial straits and causing traffic congestion. Likewise, more fully reflecting the cost of air travel by imposing user fees may result in some air travelers switching to rail travel, such as in the Northeast Corridor between Washington and New York. The various modes of transportation must be viewed not in isolation but as interdependent parts of a system.

Table R-11 below shows the increase in emphasis on Urban transportation. In addition, it shows that, while funds for Highways continue to exceed those for other individual modes, emphasis on urban mass transit and air transport is increasing relative to highways and water. This change in emphasis is being made in order to achieve a more balanced transportation system. The increase for Interurban Air transportation reflects the Administration's new program to increase the capacity of the air traffic control system; the increase for international air transportation reflects the new commitment to build a prototype supersonic transport. Both of these programs will, over time, pay for themselves—the former by aviation user charges and the latter by royalties from sales of supersonic transport aircraft. The program level for general transportation safety will increase slightly in 1971. The decrease in budget authority shown in the table results from the fact that highway safety grants will be financed from prior-year unobligated balances.

**Table R-11. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
DEPARTMENT OF TRANSPORTATION (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Urban transportation:			
Highways.....	2,337.4	2,338.6	2,338.2
Mass transit.....	168.5	176.6	3,100.0
Category total.....	2,505.9	2,515.2	5,438.2
(Trust funds).....	(2,331.0)	(2,331.0)	(2,331.0)
Interurban transportation:			
Highways.....	3,053.8	3,058.2	3,054.8
Rail.....	17.4	15.4	26.2
Air.....	828.8	1,121.3	1,346.9
Water.....	66.8	74.1	69.7
Intermodal.....	2.4	2.1	2.0
Category total.....	3,969.1	4,271.1	4,499.6
(Trust funds).....	(3,032.1)	(3,032.1)	(3,032.1)
International transportation:			
Highways.....	2.0		20.0
Air.....	-30.0	85.0	290.0
Water.....	44.6	44.6	39.0
Category total.....	16.6	129.6	349.0
General transportation safety and other national interests:			
National security, boundaries, and treaties.....	176.1	190.3	179.2
Support of science.....	65.8	66.7	123.2
General transportation safety.....	131.1	151.6	80.9
Maritime pollution control.....	1.9	6.3	6.8
Other highway programs.....	99.0	103.0	99.0
Category total.....	474.0	517.9	489.1
(Trust funds).....	(50.0)	(50.0)	(50.0)
General support:			
General research, development, and planning.....	96.0	101.3	113.6
Administration.....	298.1	332.6	351.9
Coast Guard retired pay.....	53.0	59.7	64.5
Category total.....	447.2	493.5	530.1
(Trust funds).....	(165.1)	(165.4)	(166.9)
Total distributed to programs above.....	7,412.7	7,927.4	11,305.9
Deductions for offsetting receipts.....	-20.4	-25.3	-121.4
Total budget authority, Department of Transportation.....	7,392.3	7,902.0	11,184.6

TREASURY DEPARTMENT

The Treasury Department is responsible for the fiscal, debt management and monetary operations of the Federal Government. In addition, it has major responsibility for Federal policy affecting the U.S. balance of payments. The Treasury program structure deals with the operating elements of the Department, which are funded mainly through annual appropriations; however, Treasury also receives a substantial amount of reimbursements and other miscellaneous funds.

The Department's functions are grouped into program categories as shown in table R-12. Funds for the collection of revenues are increasing as a result of the rising number of tax returns audited and the increasing complexity of the returns filed. Not included in the program structure are interest on the public debt, which accounts for most of the budget authority for the Department, and several permanent appropriations. These are aggregated in the adjusting entry in the table.

**Table R-12. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
TREASURY DEPARTMENT (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Administration of Government finances:			
Public debt.....	59.5	65.7	67.5
Issuance, payment and servicing of Government checks.....	44.0	45.1	46.2
General activities.....	4.8	5.2	5.5
Category total.....	108.3	115.9	119.2
Collection of revenue:			
Revenue accounting and processing.....	150.4	169.7	180.1
Taxpayer assistance and services.....	66.3	75.0	79.8
Delinquent accounts operation.....	83.0	99.9	101.5
Delinquent returns operation.....	26.9	26.7	33.5
Audit of tax returns.....	259.7	279.0	300.5
Tax fraud investigations—taxpayers in general.....	31.3	30.9	32.1
Taxpayer appeals.....	34.7	39.2	40.5
Alcohol and tobacco revenue and regulatory controls.....	17.6	22.1	23.1
Collection of customs duties.....	79.4	95.3	101.0
General activities.....	65.1	74.1	80.3
Category total.....	814.3	911.9	972.4
Manufacture and distribution of coins, currency, and other financial instruments.....	15.1	19.3	19.7
Special law enforcement:			
Tax fraud investigations—racketeer segment.....	8.8	23.0	23.9
Alcohol and firearms investigations.....	23.6	29.9	31.8
Other investigations.....	24.9	37.4	42.8
Security responsibilities.....	11.1	16.3	26.8
General activities.....	.9	1.9	6.2
Category total.....	69.3	108.5	131.6
Policy determination and related activities.....	7.9	9.8	9.7
Total distributed to programs above.....	1,015.0	1,165.4	1,252.6
Items not included in the program structure:			
Interest on the public debt.....	16,588.2	18,800.0	19,000.0
Other appropriations not included in the program structure.....	326.2	439.0	362.4
Deductions for offsetting receipts.....	-896.7	-1,208.4	-1,452.1
Intragovernmental transactions.....	-88.5	-84.1	-85.7
Total budget authority, Treasury Department.....	16,944.2	19,111.8	19,077.1

ATOMIC ENERGY COMMISSION

The Atomic Energy Commission conducts a variety of production, research and development, and supporting activities to discharge its responsibilities for national defense and the peaceful applications of atomic energy.

The major trends reflected in the following table include termination in 1971 of the procurement of uranium concentrates; an increase in production of enriched uranium for civilian powerplants; a decrease in plutonium production due to reduced requirements; completion of funding for a large nuclear weapons production facility; an increase in research and development on improved propulsion reactors for naval ships; continuation of the liquid metal fast breeder reactor program as a top priority program in the Development of central station nuclear power category; the shutdown of an accelerator under High-energy physics research to release resources for higher priority areas of basic research; and an increase in revenues.

Table R-13. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
ATOMIC ENERGY COMMISSION (in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Procurement and production of source and special nuclear materials:			
Procurement of uranium concentrates	101.5	51.0	18.2
Production of special nuclear materials	363.9	363.8	397.8
Category total	465.5	414.8	416.0
Military applications:			
Development and production of nuclear weapons	1,066.9	1,029.1	954.6
Development of naval propulsion reactors	131.7	135.1	148.8
Category total	1,198.6	1,164.2	1,103.4
Development of space applications:			
Space propulsion	57.7	53.3	47.0
Space electric power	48.8	39.8	37.0
Category total	106.5	93.1	84.0
Development of central station nuclear power:			
Converter reactors	15.4	14.6	12.9
Advanced converter and low-gain breeder reactors	33.6	25.6	32.1
High-gain breeder reactors	102.3	176.9	101.1
Desalting applications	2.2	1.4	1.0
General research and development	2.8	2.8	2.5
Category total	156.3	221.3	149.7
Development of other civilian applications:			
Merchant ship propulsion reactors		1.4	
Terrestrial electric power development	4.4	3.8	2.4
Isotopes development	8.1	6.8	6.8
Civilian applications of nuclear explosives	13.7	15.0	8.8
Category total	26.2	27.0	18.0

**Table R-13. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
ATOMIC ENERGY COMMISSION (in millions of dollars)—Continued**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Basic research:			
High-energy physics research.....	174.6	220.1	211.9
Other physical research.....	208.4	187.5	182.1
Biomedical research.....	100.9	95.2	94.8
Category total.....	483.9	502.8	488.8
Nuclear science and technology support:			
Supporting reactor development activities.....	140.1	128.9	103.3
Training, education, and information.....	17.4	15.8	13.9
Category total.....	157.5	144.6	117.1
General support:			
Regulation.....	9.4	11.8	12.8
Program direction and administration.....	97.9	112.0	116.0
Community support.....	6.3	10.0	7.8
Security investigations.....	7.2	8.5	8.4
Cost of work for others.....	21.1	42.9	24.2
Construction planning and design.....	.9	3.0	-----
Category total.....	142.8	188.2	169.3
Total distributed to programs above.....	2,737.1	2,756.1	2,546.2
Revenues.....	-119.9	-186.3	-228.0
Other adjustments to budget authority, net.....	-1.4	-346.1	44.8
Total budget authority, Atomic Energy Commission.....	2,615.8	2,223.7	2,363.0

GENERAL SERVICES ADMINISTRATION

The General Services Administration provides Federal agencies with logistical support in the form of building space and supplies; data processing, transportation, communications, and records services; property and stockpile management, and other services in common demand. Direct public services are also provided in the operation of the National Archives and the Presidential libraries.

The six major categories in the agency's program structure aggregate similar services, and help focus analysis on the extent of demand as well as on the economical supply of logistical support. Between 1970 and 1971, the budget authority requests reflect both general economies in operations governmentwide and specific economies in GSA's operations. The increase in the Facilities category will satisfy the most urgent requirements for building space. The lack of significant increase in Supply services and Agency direction and support services reflects emphasis on economy and restraint in program operations governmentwide. The decrease in Transportation and communications services results from elimination of motor transport management surveys except when agencies pay for them. The increase in Records services is necessitated by unpostponable preservation of irreplaceable historical documents. The increase in Other property management and disposal services represents additional costs in selling stockpiles no longer necessary to meet anticipated requirements. This additional

investment of \$2.4 million in this category will return to the Treasury an estimated additional \$442.3 million in 1971, about \$184 for each additional dollar of cost.

**Table R-14. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
GENERAL SERVICES ADMINISTRATION (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Facilities:			
Acquisition.....	95.3	134.2	217.3
Management.....	287.3	298.1	325.2
Service direction.....	1.7	1.9	2.0
Category total.....	384.3	434.2	544.5
Supply services:			
Provision of supplies.....	63.6	67.3	67.5
Supply management.....	1.1	1.2	1.2
Automated data management services.....	1.7	1.9	1.9
Service direction.....	2.8	3.9	3.9
Category total.....	69.2	74.3	74.5
Records services:			
Management.....	13.2	14.8	14.8
Archival services.....	5.8	6.9	7.9
Federal Register.....	.6	.7	.7
Service direction.....	.7	.8	.8
Category total.....	20.2	23.1	24.2
Transportation and communications services:			
Transportation (other than motor equipment).....	2.5	2.6	2.5
Motor equipment.....	.4	.5	.3
Communications.....	1.9	2.0	2.1
Public utilities.....	.1	.2	.2
Service direction.....	.7	.7	.7
Category total.....	5.6	6.0	5.9
Other property management and disposal services:			
Property management.....	13.0	13.9	13.3
Real property disposal.....	4.4	4.9	4.9
Personal property disposal.....	7.8	8.1	11.1
Program support.....	.8	1.1	1.1
Service direction.....	.7	.7	.7
Category total.....	26.6	28.7	31.1
Agency direction and support services:			
Executive direction.....	2.0	1.2	1.2
Allowances and services to former Presidents.....	.3	.3	.3
Presidential transition.....	.9		
Administrative operations.....	13.6	14.7	15.4
Category total.....	16.8	16.2	16.9
Total distributed to programs above.....	522.8	582.7	697.1
Deductions for offsetting receipts.....	-184.4	-214.8	-657.3
Total budget authority, General Services Administration..	338.4	367.9	39.9

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The National Aeronautics and Space Administration is responsible for conducting research on flight problems both within and outside the earth's atmosphere. Space exploration with manned and unmanned vehicles is also conducted. Budget authority is distributed to the functions reflected in the program structure shown below.

In 1971, additional funds are provided for earth orbital manned space flight to provide for the definition of a manned reusable earth-to-orbit space shuttle and a semipermanent earth orbital space station. Lunar exploration funding requirements decrease due to completion of the expensive development phase of the Apollo lunar landing program and the planned suspension of the Saturn V launch vehicle and spacecraft production. Space applications requirements increase as efforts accelerate in such areas as synchronous meteorological satellites, earth resources technology satellites, and experiments in communications, navigation, geodesy, and traffic control.

**Table R-15. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**
(in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Earth orbital manned space flight.....	141.4	328.6	490.0
Lunar exploration.....	2,017.8	1,674.2	947.0
Planetary exploration.....	110.3	178.3	157.9
Astronomy.....	111.1	97.6	92.5
Space physics.....	61.5	51.6	57.3
Life sciences.....	65.6	66.0	52.8
Space applications:			
Earth surveys.....	21.3	41.1	73.6
Meteorology.....	53.0	48.3	66.9
Communications and navigation.....	35.1	49.4	45.7
Category total.....	109.4	138.8	186.2
Space technology.....	169.5	158.1	154.8
Aircraft technology.....	94.7	101.2	102.0
Supporting activities:			
Tracking and data acquisition.....	279.7	278.0	298.0
Other supporting activities.....	74.6	97.6	113.8
Research and program management.....	648.0	688.4	692.3
Total support activities.....	1,002.3	1,064.0	1,104.1
Total, distributed to programs above.....	3,883.6	3,858.4	3,344.6
Financing adjustments.....	113.5	-117.5	
Deductions for offsetting receipts.....	-6.2	-6.0	-14.6
Total, budget authority, National Aeronautics and Space Administration.....	3,990.9	3,734.9	3,330.0

VETERANS ADMINISTRATION

The Veterans Administration provides a wide range of services for veterans and their dependents, such as income security, education, housing, and medical services. Income security accounts for over 70% of Veterans Administration budget authority. Major increases can be expected in future years as a result of the liberalizations of benefits and the impact of increased numbers of Vietnam war veterans.

The largest increase in budget authority for 1971 is in the Education, training, and rehabilitation category. This change is largely a response to the number of veterans of the Vietnam war who will enroll in higher and continuing education under the readjustment benefits program.

The Housing programs of the Veterans Administration guarantee home loans and make direct loans to eligible veterans who lack access to private mortgage markets. In 1971, the number of loans guaranteed is expected to be 222,000, about the same as in 1970. There will be about 11,500 direct loans in 1971. Neither of these programs requires additional budget authority for 1971. Budget authority shown in this table under Housing is to finance interest insufficiencies on outstanding participation certificates.

The concern of the Veterans Administration in Direct medical care is to administer efficiently the medical care it provides by stressing outpatient care, where possible, especially pre- and post-hospital care. Medical and prosthetic research is aimed primarily at the middle and older age groups which make up the bulk of VA patients.

Table R-16. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
VETERANS ADMINISTRATION (in millions of dollars)

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Income security:			
Compensation for veterans disabilities.....	2,141.2	2,208.0	2,434.3
Compensation to survivors.....	534.6	532.4	636.2
Other compensation.....	3.5	3.9	4.1
Veterans pensions.....	1,315.3	1,292.5	1,305.9
Survivors pensions.....	847.7	904.7	971.0
Burial allowances and related benefits.....	68.6	73.9	78.1
Veterans life insurance trust funds.....	757.7	767.1	795.3
Veterans life insurance revolving funds.....	3.9	6.0	5.1
Proposed for separate transmittal.....		273.0	-106.0
Category total.....	5,672.5	6,061.6	6,124.0
Education, training, and rehabilitation:			
Readjustment education assistance to veterans.....	638.4	668.6	990.4
Rehabilitative training of disabled veterans.....	30.2	38.7	41.3
Educational assistance to dependents of deceased and disabled veterans.....	41.8	51.3	63.1
Other benefits.....	9.9	9.6	11.3
Proposed for separate transmittal.....		223.3	90.0
Category total.....	720.3	991.5	1,196.1
Housing:			
Servicing and management of loans and properties.....	9.5	6.2	6.3
Category total.....	9.5	6.2	6.3
Hospital and medical care:			
Direct medical care.....	1,375.6	1,520.4	1,580.9
Medical and prosthetic research.....	48.1	57.7	59.3
Research and development.....	1.8	2.8	2.8
Education and training.....	79.1	92.4	99.8
Medical support and miscellaneous services.....	36.5	39.2	42.2
Construction of facilities.....	11.9	73.2	66.5
Proposed for separate transmittal.....			-40.0
Category total.....	1,553.1	1,785.5	1,811.5

**Table R-16. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
VETERANS ADMINISTRATION (in millions of dollars)—Continued**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Other veterans benefits and services: General operating expenses.....	206.5	236.7	239.2
Total distributed to programs above.....	8,161.9	9,081.5	9,377.1
Deductions for offsetting receipts and intragovernmental transactions.....	-496.7	-486.0	-498.8
Total budget authority, Veterans Administration.....	7,665.1	8,595.5	8,878.3

NATIONAL SCIENCE FOUNDATION

The fundamental purpose of the National Science Foundation is to aid the development of knowledge in rewarding fields of scientific endeavor. Funds are included to support basic research and education in the academic disciplines. Major emphasis will increasingly be placed on promoting activities where a new understanding is needed to help solve pressing societal problems, including those of the environment. This will involve multidisciplinary approaches. The Foundation's activities are reflected in the program structure shown below.

**Table R-17. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
NATIONAL SCIENCE FOUNDATION (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Support of scientific research:			
Scientific research project support.....	176.0	175.0	191.0
Specialized research facilities and equipment.....	7.2	6.0	6.2
National research programs.....	13.5	27.5	59.0
National research centers.....	28.6	27.2	37.1
Category total.....	225.3	235.7	293.3
National Sea Grant program.....	6.0	9.6	13.0
Computing activities in education and research.....	17.0	17.0	15.0
Science information activities.....	10.7	14.0	14.0
International cooperative scientific activities.....	1.8	1.9	2.2
Institutional support of science.....	37.7	41.5	55.5
Science education support.....	115.2	121.7	96.9
Planning and policy studies.....	2.4	2.5	2.9
Program development and management.....	16.5	19.5	20.5
Total distributed to programs above.....	432.6	463.4	513.3
Adjustment to budget authority, net.....	-32.6	-23.4	-.3
Deductions for offsetting receipts.....	-2.2	-1.1	-1.1
Total budget authority, National Science Foundation.....	397.8	439.0	512.0

OFFICE OF ECONOMIC OPPORTUNITY

The Office of Economic Opportunity is the major focus of innovative activity for social programs within the Federal Government. The

principal means by which this overall objective is served are employment and education programs, health services, community betterment programs, and research and evaluation of social programs. In 1971, major increases are planned for improvement of individuals and families through health and education services, and a large relative increase is planned for research and evaluation, reflecting increasing emphasis on developing effective social programs.

**Table R-18. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
OFFICE OF ECONOMIC OPPORTUNITY (in millions of dollars)**

Program category and subcategory	1969 actual	1970 estimate	1971 estimate
Employment:			
Job training and work experience assistance.....	701.4	602.5	611.8
Other employment assistance.....	23.5	23.5	23.5
Category total.....	724.9	626.0	635.3
Individual and family improvement:			
Compensatory and other educational assistance.....	606.4	599.0	627.3
Health assistance.....	98.0	134.5	180.5
Other individual and family assistance.....	11.2	22.2	40.8
Category total.....	715.6	755.7	848.6
Community betterment:			
Resource mobilization assistance.....	266.1	267.9	273.3
Volunteer assistance.....	32.8	37.0	39.0
Housing assistance.....	12.3	15.7	17.4
Legal assistance.....	45.4	54.9	61.0
Loan assistance.....	6.0	10.0	5.0
Economic development assistance.....	24.9	33.0	34.0
Other community betterment assistance.....	71.6	63.2	61.6
Category total.....	459.1	481.7	491.3
Poverty research and evaluation:			
Research.....	31.5	55.6	70.0
Evaluation.....	3.7	13.0	19.0
Category total.....	35.2	68.6	89.0
General support.....	12.9	16.0	16.0
Proposed for separate transmittal.....			-662.0
Offsetting proprietary receipts.....	- .4	- .5	- .4
Total budget authority, Office of Economic Opportunity..	1,947.3	1,947.5	1,457.8

SMALL BUSINESS ADMINISTRATION

The Small Business Administration provides financial and managerial assistance to small businessmen and assists businessmen and homeowners adversely affected by disasters. Agency objectives are reflected in the agency's five program categories. However, budget authority does not reflect the true effects of the loan programs because proceeds from loan repayments can be reallocated without additional budget authority. The large increase in budget authority for 1971 will occur because receipts from prior lending and the sale of assets are not sufficient to fund 1971 lending programs.

Program levels are shown in parentheses and show that the 1971 budget places a major emphasis on assistance to minority business

enterprises by increasing loans and loan guarantees to \$270 million, an increase of 51% over the preceding year. Loans and guarantees supporting programs for general economic growth constitutes the largest category, \$373 million in fiscal year 1971. Small business loans and guarantees in deprived areas also show a modest increase, from \$242 in 1970 to \$265 in 1971.

**Table R-19. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
SMALL BUSINESS ADMINISTRATION (in millions of dollars)**

Program category	1969 actual	1970 estimate	1971 estimate
Stimulate small business in deprived areas ¹			70.2
Program level ²	(194.7)	(241.5)	(265.0)
Promote minority entrepreneurial opportunity ¹			90.6
Program level ²	(86.3)	(177.6)	(270.0)
Promote small business contributions to economic growth and competitive environment ¹			55.2
Program level ²	(263.8)	(338.2)	(373.0)
Financial aid to victims of disasters or displacement ¹			26.0
Program level ²	(52.0)	(295.0)	(96.0)
General support.....	21.2	24.9	30.1
Total budget authority, Small Business Administration.....	21.2	199.9	272.1

¹ Budget authority reflects the effect of offsetting receipts.

² Program level includes direct and guaranteed loans.

UNITED STATES INFORMATION AGENCY

The United States Information Agency carries out informational programs overseas to further the goal of influencing public attitudes in other countries and to foster a better understanding of U.S. foreign policy objectives. The agency programs are carried out in 112 countries through a variety of communications techniques. The major program categories shown below are based on a subcategory buildup by country and the mix of the various media products used in each.

The only major increase in 1971 is in Soviet Union and East Europe, for additional U.S. exhibits and other activities. Changes in the other regions are for wage and cost increases. The General support increase occurs primarily because of the requirement for an appropriation for activities supported from prior year balances in 1969 and 1970.

**Table R-20. PROGRAM DISTRIBUTION OF BUDGET AUTHORITY
UNITED STATES INFORMATION AGENCY (in millions of dollars)**

Program category	1969 actual	1970 estimate	1971 estimate
East Asia and Pacific.....	35.2	36.7	37.0
Africa.....	22.9	22.8	23.3
Near East and South Asia.....	27.0	27.9	28.2
Latin America.....	27.2	26.6	26.8
West Europe.....	19.4	19.5	19.6
Soviet Union and East Europe.....	16.1	17.0	21.2
General support.....	28.9	30.7	32.4
Total distributed to programs above.....	176.7	181.2	188.5
Deductions for offsetting receipts.....	—,6	—,6	—,6
Total budget authority, United States Information Agency.....	176.1	180.6	187.9

