

SPECIAL ANALYSES BUDGET OF THE UNITED STATES GOVERNMENT



FISCAL YEAR 1975

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THE BUDGET DOCUMENTS

Data and analyses relating to the budget for 1975 are published in four documents:

The Budget of the United States Government, 1975 contains the information that most users of the budget would normally need, including the Budget Message of the President. The *Budget* presents an overview of the President's budget proposals which includes explanations of spending programs and estimated receipts. This document also contains a description of the budget system and various summary tables on the budget as a whole.

The Budget of the United States Government, 1975—Appendix contains detailed information on the various appropriations and funds which comprise the budget.

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

Special Analyses, Budget of the United States Government, 1975 contains 16 special analyses that are designed to highlight specified program areas or provide other significant presentations of Federal budget data.

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

The United States Budget in Brief, 1975 provides a more concise, less technical overview of the 1975 Budget than the above volumes. Summary and historical tables on the Federal budget and debt are also provided, together with graphic displays.

GENERAL NOTES

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

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PART 1

ECONOMIC AND FINANCIAL
ANALYSES

INTRODUCTION

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

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

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

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

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

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

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

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

SPECIAL ANALYSIS A

FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS

The budget is designed to serve many purposes:

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

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

This special analysis shows the direct Federal impact of the budget on the economy as measured in the NIA. It is divided into two major sections. The first shows the size, composition, and trends in the Federal sector receipts and expenditures. It focuses heavily on the 3 years covered by the budget, but provides some historical background where this is relevant. The latter part of the analysis is devoted to explaining the major differences between the budget and NIA concepts. For a discussion of fiscal policy, see Part 1 of the budget (the Budget Message) and the Economic Report of the President.

Table A-1 shows Federal sector NIA receipts, expenditures, and deficits for 1973-75. The Federal sector is expected to have a \$4.7 billion actual deficit in fiscal year 1974; on a full-employment basis it would be in surplus. In fiscal year 1975 the actual deficit is anticipated to rise to \$8.6 billion, although again on a full-employment basis the Federal sector would show a surplus.

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

Description	1973 actual	1974 estimate	1975 estimate	Change, 1973 to 1975
RECEIPTS				
Personal tax and nontax receipts.....	107.2	123.7	135.3	28.1
Corporate profits tax accruals.....	43.8	50.3	50.2	6.4
Indirect business tax and nontax accruals.....	20.9	23.3	27.5	6.6
Contributions for social insurance.....	71.4	83.2	91.8	20.4
Total receipts	243.3	280.5	304.8	61.5
EXPENDITURES				
Purchases of goods and services.....	104.5	111.5	121.6	17.1
Defense.....	(73.9)	(75.3)	(82.0)	(8.1)
Nondefense.....	(30.6)	(36.2)	(39.6)	(9.0)
Transfer payments.....	89.4	107.2	123.5	34.1
Domestic ("to persons").....	(86.8)	(102.5)	(120.7)	(33.9)
Foreign.....	(2.6)	(4.7)	(2.8)	(.2)
Grants-in-aid to State and local governments.....	40.4	44.1	46.6	6.2
Net interest paid.....	14.4	18.2	19.6	5.2
Subsidies less current surplus of Government enterprises.....	6.4	4.2	2.1	-4.3
Total expenditures	255.1	285.2	313.4	58.3
Surplus or deficit (-)	-11.8	-4.7	-8.6	3.2

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

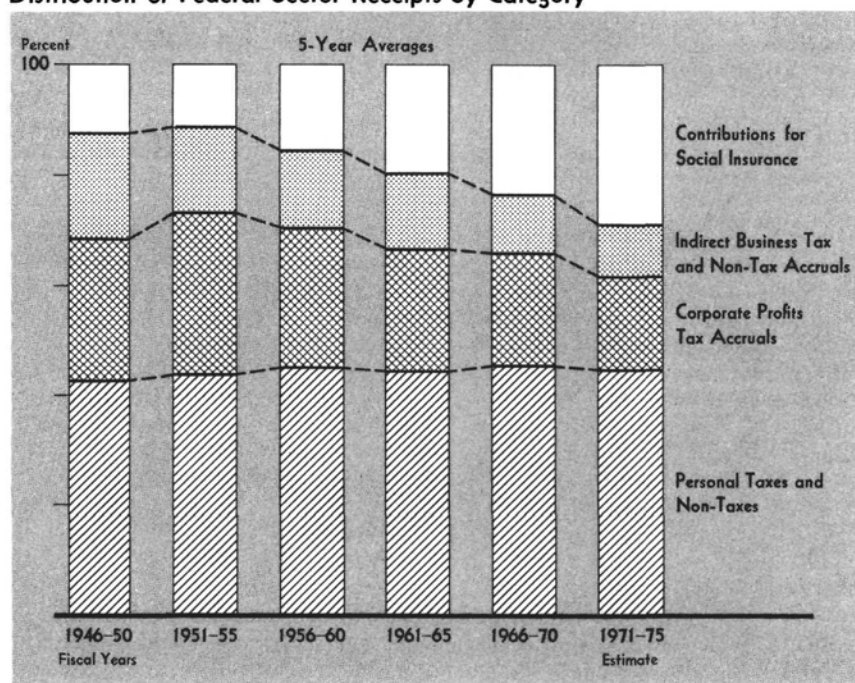
Corporate profits are among the most volatile components of national income; consequently, corporate profits tax accruals are likewise volatile. Traditionally, the NIA corporate profits taxes have differed from the corresponding budget category primarily because: (1) The unified budget shows the deposit of earnings by the Federal Reserve System as miscellaneous receipts whereas in the NIA they are treated as taxes on corporate profits, and (2) the unified budget records corporate profits taxes when the cash payments are received, while in the NIA they are recorded when the profits are earned (i.e., accrued). In addition, the proposed emergency windfall profits tax on the sale of domestic crude oil will be classified as an indirect business tax in the NIA whereas the budget classifies this as a part of corporate income taxes. This new tax will reduce corporate profits taxes (as defined in the NIA) by \$0.6 billion in 1974 and \$2.0 billion in 1975 while raising indirect business taxes by \$1.5 billion in 1974 and \$4.9 billion in 1975.

Indirect business tax and nontax accruals are composed mainly of excise taxes and customs duties, but also include rents and royalties paid by business to the Government. For most of the Nation's early history this grouping was the dominant source of Federal receipts; as recently as 1940, it was still the largest single category. Yet by 1975, even including the proceeds from the emergency windfall profits tax, it will constitute only about 9% of total receipts—significantly less than any of the other receipt categories.

Contributions for social insurance constitute the second largest category of Federal sector receipts. The rapid rise in these receipts since World War II has been caused by the growth in the labor force and in wage rates, the expanded coverage of older social insurance programs, the enactment of new ones, and the higher taxable wage base and contribution rates needed to finance liberalization of benefits.

The following chart shows the average percentage distribution of receipts by category for 5-year periods.

Distribution of Federal Sector Receipts by Category



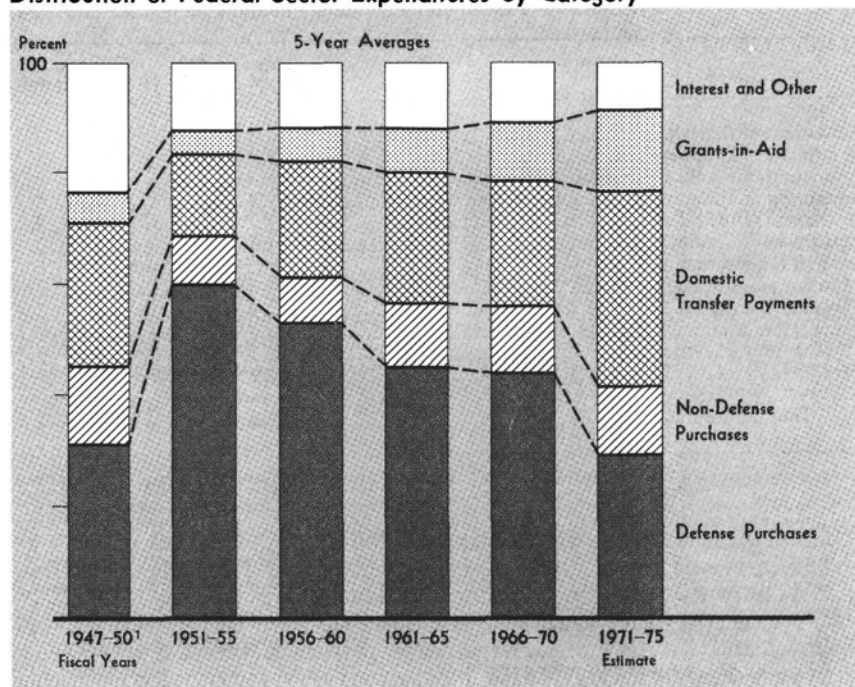
The chart shows several major trends in budget receipts. The relative increase in social insurance contributions reflects the expansion of the social insurance trust funds at a much more rapid rate than the remainder of the budget. Transfer payments financed by these funds have risen correspondingly. The relative stability of the percentage arising from personal taxes reflects two opposing movements: (1) The normal increase in these taxes as inflation and higher productivity results in higher cash incomes which shift taxpayers into higher tax brackets, and (2) the periodic legislated changes in tax rates, generally downward.

The lower percentage of receipts arising from corporate profits taxes results from three factors: (1) A long-term decline in corporate profits relative to the GNP; (2) changes in the definition of corporate profits for tax purposes (largely increases in permissible depreciation allowances); and (3) the nearly constant tax rate on taxable corporate profits during the past decade.

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

A major shift in the composition of Federal sector expenditures has been underway for several years. As the chart on expenditures shows, defense purchases of goods and services account for a declining share. There is a corresponding rise in other components, especially grants-in-aid and domestic transfer payments (which include social security benefits as well as military and civil service retirement benefits). While this shift has been underway for two decades, the change in recent years has been dramatic. In 1973 defense purchases as a percentage of Federal sector expenditures were the lowest they had been since 1940, and the percentages for 1974 and 1975 will be even lower. In contrast, outlays for domestic transfer payments and grants are expected to amount to over half of total Federal sector expenditures by 1975; just one decade earlier they were less than one-third of the total.

Distribution of Federal Sector Expenditures by Category



¹ Covers only 4 years since 1946 included significant World War II spending.

Defense purchases of goods and services.—Over 95% of defense purchases are made by one agency—the Department of Defense. The remainder includes programs of military assistance to other countries, purchases by the Atomic Energy Commission, and purchase and sale of defense stockpiles. Despite major military and civilian pay raises in recent years, the large-scale reductions in military personnel, other defense-related employment, and other economies have resulted in defense purchases declining to the lowest proportion of our GNP since 1950.

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

Table A-2. NONDEFENSE PURCHASES OF GOODS AND SERVICES FOR SELECTED AGENCIES AT 3-YEAR INTERVALS, 1966-75 (in billions of dollars)

Agency	1966 actual	1969 actual	1972 actual	1975 estimate
Department of Agriculture.....	0.5	3.1	2.6	2.5
Department of Defense, Civil.....	1.3	1.3	1.6	1.7
Department of Health, Education, and Welfare.....	1.4	2.7	3.3	5.2
Department of Housing and Urban Development.....	.4	.5	1.5	2.2
Department of the Interior.....	1.2	1.2	1.5	2.2
Department of Transportation.....	1.1	1.4	2.4	3.1
Treasury Department:				
Interest paid abroad.....	.5	.7	2.4	3.0
Other.....	.9	1.0	1.5	2.4
National Aeronautics and Space Administration.....	5.9	4.2	3.2	3.2
Veterans Administration.....	1.5	1.8	2.8	3.8
All other ¹	2.6	3.5	6.5	10.3
Total.....	17.3	21.4	29.3	39.6

¹ Includes allowance for civilian agency pay raise and purchases by Government-owned enterprises excluded from the budget.

Table A-2 shows a distribution of total nondefense purchases at 3-year intervals since 1966. The Department of Health, Education, and Welfare now accounts for more nondefense purchases that affect GNP than any other agency; these purchases are largely for medical research and for the administrative expenses of grant and transfer programs. Purchases by NASA have dropped substantially over this period: in 1966 they were one-third of nondefense purchases, but by 1975 they are expected to total around 8%. The large-scale fluctuations in nondefense purchases by the Agriculture Department are caused primarily by the purchase and sale of commodity inventories. Nondefense purchases by the Department of Defense, Civil and Department of the Interior are heavily concentrated in water, power, and reclamation programs while the bulk of nondefense purchases by the Veterans Administration is for hospitals and medical care.

Domestic transfer payments.—This is now the largest category of Federal sector expenditures. Spending for domestic transfers has expanded rapidly, mainly because of more beneficiaries and higher benefit payments under the social insurance programs. Approximately two-thirds of the payments are for retirement and disability, with the old-age survivors insurance fund constituting nearly 70% of retirement and disability payments and over 45% of all domestic transfer payments. Other major components of retirement and disability are civil service retirement, railroad retirement, disability insurance, military retired pay, and supplemental security income.

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

Fiscal year	Total	Retire- ment and disability ¹	Hospital and supple- mentary medical insurance	Food stamps	Veterans benefits and insurance	Unem- ployment benefits	Other
1960.....	20.6	13.1	-----	-----	4.4	2.7	0.4
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	-----	*	4.8	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	-----	0.1	4.7	2.1	1.2
1967.....	37.2	25.3	3.2	.1	5.3	2.1	1.2
1968.....	42.7	27.9	5.1	.2	5.5	2.2	1.8
1969.....	48.5	32.0	6.3	.2	6.2	2.3	1.6
1970.....	54.8	35.5	6.8	.6	6.9	3.0	2.0
1971.....	67.4	42.4	7.5	1.5	8.0	5.6	2.3
1972.....	75.8	47.8	8.4	1.8	8.8	6.6	2.4
1973.....	86.8	58.5	9.0	2.1	9.7	4.8	2.7
1974 estimate.....	102.5	69.6	11.4	2.9	10.4	5.0	3.2
1975 estimate.....	120.7	83.0	13.3	3.8	10.3	6.5	3.7

*Less than \$50 million.

¹ Includes black-lung benefits and supplemental security income benefits.

As a result of legislation passed in 1972, the Federal supplemental security income program is providing direct Federal payments of cash assistance to certain categories of needy people (mainly elderly and handicapped) starting January 1, 1974. These payments (amounting to \$4.3 billion in 1975) replace benefits which were previously made by State and local governments and financed with substantial grant assistance. This direct Federal operation maintains or liberalizes benefits to individuals while relieving the State and local governments of the cost of matching the Federal payment.

Another large group of domestic transfer payments is for medical care under the hospital and supplementary medical insurance programs (Medicare). These transfers did not exist prior to 1967, but by 1975 they are expected to provide \$13.3 billion to beneficiaries.

The food stamp program began in 1961 and was a relatively small but growing program until 1969. By 1972 the program had reached a level of \$1.8 billion and by 1975 it will be more than double the 1972 level.

Veterans benefits and insurance have long been a major group of transfer payments. These payments expanded rapidly beginning in 1966, due in part to the war in Vietnam, but also in part to the enactment of the GI bill for post-Korean war veterans. Payments are expected to remain high in 1975 because of cost-of-living and other benefit increases despite a decline in the number of ex-servicemen studying under the GI bill.

Unemployment benefits fluctuate according to the rate of unemployment in the economy. In addition, they tend to rise gradually over time as average benefits levels rise. The increase in 1974 and 1975 will be a major aid in cushioning the hardship on individuals caused by the impact of the energy shortage on the economy.

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

A major theme of this Administration has been grant consolidation and simplification to permit State and local governments greater flexibility in using Federal aid money to solve local problems. This theme is discussed at several places in the budget, particularly in the budget message. While the table below groups the spending into a few traditional categories, because of the basic reforms that have either been enacted or proposed, Federal aid is now substantially more flexible and less categorical than in prior years. This is highlighted by the newest major Federal aid program—General Revenue Sharing—which is discussed in detail in various sections of the budget, most extensively in Special Analysis N.

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

Fiscal year	Total	General Revenue Sharing	Income security	Health	Education and man-power	Transportation	Community development and housing	Other
1960.....	6.8	-----	2.3	0.2	0.5	3.0	0.1	0.8
1961.....	6.9	-----	2.4	.3	.5	2.6	.1	.9
1962.....	7.6	-----	2.6	.4	.6	2.8	.2	1.0
1963.....	8.4	-----	2.9	.5	.7	3.0	.2	1.0
1964.....	9.8	-----	3.1	.7	.8	3.7	.2	1.4
1965.....	10.9	-----	3.2	.7	1.1	4.1	.4	1.5
1966.....	12.7	-----	3.3	1.3	2.2	4.0	.4	1.6
1967.....	14.8	-----	3.3	2.0	3.2	4.0	.6	1.6
1968.....	17.8	-----	4.6	2.8	3.9	4.3	.8	1.5
1969.....	19.2	-----	4.8	3.5	3.7	4.4	1.1	1.7
1970.....	22.6	-----	5.7	4.1	4.3	4.6	1.7	2.1
1971.....	27.0	-----	8.0	4.6	5.0	4.9	2.0	2.6
1972.....	32.9	-----	11.4	6.1	6.1	5.0	2.2	2.1
1973.....	40.4	6.6	10.9	6.3	6.3	5.3	2.2	2.7
1974 estimate....	44.1	6.1	11.6	7.9	6.5	5.2	2.3	4.3
1975 estimate....	46.6	6.2	11.8	8.8	6.5	5.5	2.4	5.5

The income security and health grants are largely, but not exclusively, devoted to providing assistance to low-income persons. Most expenditures for these programs—which include public assistance, Medicaid, and vocational rehabilitation—are paid out under statutory formulas. Special Analysis J (Federal Health Programs) and Special Analysis K (Federal Income Security Programs) provide more detailed information about these programs. These grants would have risen even more rapidly in 1974 and 1975 except for the assumption by the Federal Government of direct payment of assistance to the elderly and the disabled. This Federal assumption does not represent a decline in Federal assistance to States; rather, the Federal payments

are made directly to persons instead of to States. Since this also reduces State and local matching payments and eliminates the cost to State and local governments of administering the program, the States will achieve significant fiscal relief.

Another group of grant programs is devoted to education and manpower activities. The largest education grant programs are for elementary and secondary education (which are focused heavily on economically deprived areas), higher education, and Federal aid to impacted areas (for school districts with an unusually high proportion of children of Federal civilian or military personnel). The 1975 budget proposes to fund much of this assistance through a consolidated education grant program with fewer Federal restrictions. A relatively new educational program is for emergency school assistance to overcome problems of racial isolation. Manpower training programs and public service jobs constitute the bulk of Federal manpower grants. Special Analysis H (Federal Education Programs) and Special Analysis I (Federal Manpower Programs) discuss education and manpower programs in detail.

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

The grants for community development and housing are largely for the urban renewal and Model Cities programs. The 1975 budget proposes consolidated community development grants to replace these programs and provide the local governments with more flexibility in the use of these funds. While the budget classifies payments for low-rent public housing as grants, in the NIA they are counted as nondefense purchases.

The final category in table A-4 includes grants for pollution control and abatement and for law enforcement and justice. Grants made by the Environmental Protection Agency will total \$3.5 billion in 1975; this is 7½ times as large as in 1972.

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

Other Federal sector expenditures.—Three other categories normally complete the Federal sector expenditures. The largest category—net interest paid—is affected by changes in Federal debt outstanding and by changes in interest rates. While net interest varies somewhat from year to year, it has been between 6% and 8% of Federal sector expenditures in most years since 1952.

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

of GNP) for many years. In 1974 foreign transfers will be increased by a one-time payment of the grant to India of \$2.2 billion worth of rupees as part of an overall rupee debt settlement.

Subsidies less current surplus of Government enterprises consist of two elements: (a) Subsidy payments to resident businesses (including farms); and (b) the "current surplus" or "deficit" of Government enterprises.

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

(b) Government enterprise is the term applied to certain operations of the Government (usually appearing in the budget as public enterprise revolving funds) for which operating costs are to a great extent covered by the sale of goods and services to the public, as distinguished from those financed by tax receipts. Government enterprises conduct operations that are of a business-type nature. The difference between their sales and current operating expenses constitutes the surplus or deficit of Government enterprises. The largest of these enterprises are the Commodity Credit Corporation, the Postal Service (which is no longer included in the budget), and the Tennessee Valley Authority.

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

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

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

Description	1973 actual	1974 estimate	1975 estimate
RECEIPTS			
Total budget receipts	232.2	270.0	295.0
Government contribution for employee retirement (grossing)....	3.7	4.4	4.5
Other netting and grossing.....	1.7	1.5	1.6
Adjustment to accruals.....	6.1	5.4	4.3
Other.....	-4	-8	-6
Federal sector, NIA receipts	243.3	280.5	304.8
EXPENDITURES			
Total budget outlays	246.5	274.7	304.4
Lending and financial transactions.....	-1.6	-2.4	-2.0
Government contribution for employee retirement (grossing)....	3.7	4.4	4.5
Other netting and grossing.....	1.7	1.5	1.6
Defense timing adjustment.....	2.3	-4	-2
Other.....	2.5	7.4	5.1
Federal sector, NIA expenditures	255.1	285.2	313.4

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

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

Government contribution for employee retirement.—The contributions of Government agencies to the retirement trust funds of their employees are deducted from total budget expenditures since these contributions are intragovernmental transactions. However, the NIA considers Government payments for employee retirement to be part of the compensation paid to Government employees; this helps maintain comparability with the treatment of employee retirement contributions in the rest of the economy. This includes contributions by the Postal Service even though the Postal Service is not part of the budget. Therefore the Federal sector includes these payments as expenditures for purchases of goods and services or as part of enterprise surpluses or deficits, and includes the receipt of these same payments as being contributions for social insurance. Since receipts and expenditures are equally affected, this treatment has no impact on the surplus or deficit. Over 75% of these payments go to the civil service retirement fund and most of the remainder are for Federal employees insured under social security.

Other netting and grossing.—The budget normally counts as receipts only income from taxation or similar sources that arises from the exercise of governmental power to compel payment. Money received in the course of business-type transactions, therefore, is normally shown as offsets against expenditures. For instance, receipts from two major insurance programs operated by the Veterans Administration (National Service Life Insurance and U.S. Government Life Insurance) are netted against expenditures in the budget since these programs are voluntary, commercial-type activities. However, in the NIA these insurance premiums are treated as receipts in the same way as receipts from compulsory Government insurance programs. Adjustments of this type affect total receipts and expenditures equally and thus do not alter the surplus or deficit of either the budget or the Federal sector. The decline in 1974 is due to the elimination of a grossing transaction in the Commodity Credit Corporation which used to add about \$0.4 billion to indirect business taxes and subsidies.

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

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

Other.—This category includes some miscellaneous adjustments, largely for certain specialized aspects of the national income accounts, such as the purchase and sale of land and rent on Outer Continental Shelf lands, which are included in the budget but not in the national income accounts. Certain nondefense timing adjustments are included here because of the difficulty in separating them from other adjustment categories. It also includes adjustments for certain foreign currency transactions which are not included in the budget, and transactions of Federal agencies or activities which are excluded from the budget but included in the Federal sector NIA. In 1974 it also includes the one-time equivalent of \$2.2 billion in rupees granted to India and included as foreign transfer payments. Even though this \$2.2 billion of foreign currency transactions is recorded as foreign transfer payments in the standard accounting treatment in the NIA, there is no real economic effect on either the United States or the Indian economy. The currency was earned as part of our agricultural export program over a period of many years, was not convertible to any other currency, and was greatly in excess of U.S. official needs for which it could be spent. The economic impact on the U.S. economy occurred when the food was produced and exported; the impact on the Indian economy occurred when the food was imported and consumed.

Table A-6. FEDERAL TRANSACTIONS IN THE NATIONAL INCOME ACCOUNTS, 1964-75 (in billions of dollars)

Description	Actual										Estimate	
	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
RECEIPTS, NATIONAL INCOME BASIS												
Personal taxes and nontaxes.....	50.7	51.3	57.6	64.5	71.4	90.0	93.6	87.4	100.1	107.2	123.7	135.3
Corporate profits tax accruals.....	25.7	27.7	31.0	31.2	33.7	37.4	33.3	32.2	34.7	43.8	50.3	50.2
Indirect business tax and nontax accruals.....	15.6	16.9	15.7	15.8	17.1	18.6	19.2	20.1	19.9	20.9	23.3	27.5
Contributions for social insurance.....	23.5	24.6	28.5	35.7	38.3	44.4	49.1	52.9	59.0	71.4	83.2	91.8
Total receipts, national income basis....	115.5	120.5	132.8	147.2	160.6	190.4	195.2	192.6	213.7	243.3	280.5	304.8
EXPENDITURES, NATIONAL INCOME BASIS												
Purchases of goods and services.....	65.7	64.4	71.7	85.3	94.9	99.4	98.0	95.9	103.2	104.5	111.5	121.6
Defense.....	(50.9)	(48.9)	(54.4)	(67.7)	(75.9)	(78.0)	(77.0)	(73.2)	(73.9)	(73.9)	(75.3)	(82.0)
Nondefense.....	(14.7)	(15.5)	(17.3)	(17.6)	(18.9)	(21.4)	(21.0)	(22.8)	(29.3)	(30.6)	(36.2)	(39.6)
Transfer payments.....	29.5	30.5	34.2	39.4	44.8	50.7	56.8	69.7	78.6	89.4	107.2	123.5
Domestic ("to persons").....	(27.3)	(28.3)	(31.8)	(37.2)	(42.7)	(48.5)	(54.8)	(67.4)	(75.8)	(86.8)	(102.5)	(120.7)
Foreign.....	(2.2)	(2.2)	(2.3)	(2.2)	(2.1)	(2.2)	(2.0)	(2.3)	(2.8)	(2.6)	(4.7)	(2.8)
Grants-in-aid to State and local governments..	9.8	10.9	12.7	14.8	17.8	19.2	22.6	26.8	32.9	40.4	44.1	46.6
Net interest paid.....	8.1	8.5	9.0	9.9	10.9	12.3	14.0	14.3	13.4	14.4	18.2	19.6
Subsidies less current surplus of Government enterprises.....	3.8	4.1	4.5	5.1	4.1	4.1	4.7	5.8	5.2	6.4	4.2	2.1
Wage accruals less disbursements.....							-.1	.1				
Total expenditures, national income basis.....	116.9	118.5	131.9	154.5	172.5	185.7	195.9	212.6	233.2	255.1	285.2	313.4
Excess of receipts (+) or expenditures (-), national income basis.....	-1.4	+2.0	+ .9	-7.3	-11.9	+4.7	-.7	-19.9	-19.5	-11.8	-4.7	-8.6

Source.—Actual data for 1964-73 are based on the estimates prepared by the Department of Commerce. Data for 1974 and 1975 are based on estimates by the Office of Management and Budget in cooperation with the Department of Commerce.

SPECIAL ANALYSIS B

FUNDS IN THE BUDGET

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

DISTRIBUTION OF TOTALS, BY FUND GROUPS

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

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

Description	1973 actual	1974 estimate	1975 estimate
RECEIPTS			
Federal funds:			
Total in fund accounts	169,831	196,422	212,821
Intrafund transactions	-1,172	-1,203	-1,218
Proprietary receipts from the public	-7,179	-9,464	-8,648
Receipts from off-budget Federal agencies	-123	-174	-197
Receipts, Federal funds	161,357	185,581	202,757
Trust funds:			
Total in fund accounts	95,532	110,836	121,723
Intrafund transactions	-816	-993	-1,109
Proprietary receipts from the public	-2,523	-3,433	-4,058
Receipts from off-budget Federal agencies	-----	-861	-737
Receipts, trust funds	92,193	105,548	115,818
Interfund transactions	-21,325	-21,129	-23,575
Total budget receipts	232,225	270,000	295,000
OUTLAYS			
Federal funds:			
Total in fund accounts	194,878	214,555	230,699
Intrafund transactions	-1,172	-1,203	-1,218
Proprietary receipts from the public	-7,179	-9,464	-8,648
Receipts from off-budget Federal agencies	-123	-174	-197
Outlays, Federal funds	186,403	203,715	220,636
Trust funds:			
Total in fund accounts	84,786	97,363	113,289
Intrafund transactions	-816	-993	-1,109
Proprietary receipts from the public	-2,523	-3,433	-4,058
Receipts from off-budget Federal agencies	-----	-861	-737
Outlays, trust funds	81,447	92,075	107,385
Interfund transactions	-21,325	-21,129	-23,575
Total budget outlays	246,526	274,660	304,445
Budget deficit	-14,301	-4,660	-9,445

FEDERAL FUNDS

The Federal funds are derived mainly from taxes and borrowing. Most of these funds are not restricted by law to any specific governmental purpose. There are four subgroups of Federal funds—the general fund, special funds, public enterprise funds, and intragovernmental revolving and management funds.

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

Description	1973 actual	1974 estimate	1975 estimate
RECEIPTS BY SOURCE			
Individual income taxes	103,246	118,000	129,000
Corporation income taxes	36,153	43,000	48,000
Excise taxes	9,836	10,292	10,653
Estate and gift taxes	4,917	5,400	6,000
Customs duties	3,188	3,500	3,800
Miscellaneous receipts	4,018	5,389	5,304
Total receipts Federal funds	161,357	185,581	202,757
OUTLAYS BY AGENCY			
Legislative branch	538	656	733
The Judiciary	182	212	309
Executive Office of the President	49	112	121
Funds appropriated to the President:			
Foreign assistance	2,548	3,456	3,756
Other	1,519	1,309	809
Agriculture	10,046	9,318	9,192
Commerce	1,377	1,520	1,708
Defense—Military ¹	73,307	78,388	84,600
Defense—Civil	1,700	1,606	1,628
Health, Education, and Welfare	26,661	32,335	36,112
Housing and Urban Development	3,592	4,983	5,550
Interior	-2,248	-3,872	-2,717
Justice	1,531	1,938	2,106
Labor	3,432	2,986	2,941
State	574	739	788
Transportation	2,747	3,182	3,034
Treasury	32,742	35,879	37,784
Atomic Energy Commission	2,393	2,328	2,886
Environmental Protection Agency	1,114	2,559	3,991
General Services Administration	468	-306	-883
National Aeronautics and Space Administration	3,314	3,177	3,272
Veterans Administration	11,877	13,039	13,364
Other independent agencies	6,938	7,870	7,992
Allowances ²		300	1,561
Total outlays Federal funds	186,403	203,715	220,636
Excess of outlays (-)	-25,046	-18,133	-17,878

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

² Includes allowances for acceleration of energy research and development, civilian agency pay raises, and contingencies.

Receipts and outlays.—The receipts of the general and special funds in 1975 are estimated at \$202.8 billion, as presented in table B-2. Outlays of all the Federal funds, estimated at \$220.6 billion, are distributed

as shown. The proprietary receipts of the general fund and special funds, the Federal intrafund 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 \$226.8 billion for 1975, as set forth in table B-3. These transactions largely flow from the budget authority of \$322.1 billion for the year, although in part the obligations were authorized by prior years' budget authority.

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

Department or other unit	1973 actual	1974 estimate	1975 estimate
Legislative branch.....	551	685	717
The Judiciary.....	184	213	310
Executive Office of the President.....	85	109	101
Funds appropriated to the President:			
International security assistance.....	1,382	3,030	1,037
International development assistance.....	1,799	2,347	1,933
Other.....	1,697	1,730	589
Agriculture.....	9,379	7,581	9,557
Commerce.....	1,708	1,615	1,704
Defense—Military ¹	76,382	85,261	90,949
Defense—Civil.....	1,817	1,916	1,736
Health, Education, and Welfare.....	29,095	37,476	35,570
Housing and Urban Development.....	5,157	5,334	3,789
Interior.....	-2,044	-3,644	-2,704
Justice.....	1,870	1,953	2,125
Labor.....	3,634	2,811	2,999
State.....	632	716	807
Transportation.....	3,377	3,658	3,540
Treasury.....	32,767	35,904	37,808
Atomic Energy Commission.....	2,385	2,887	3,058
Environmental Protection Agency.....	3,441	4,521	5,149
General Services Administration.....	385	-359	-919
National Aeronautics and Space Administration.....	3,134	3,486	3,275
Veterans Administration.....	11,931	13,117	13,464
Civil Service Commission.....	1,979	2,587	3,180
Federal Home Loan Bank Board.....	-317	-316	-335
Postal Service.....	2,129	1,999	1,553
Railroad Retirement Board.....	22	22	4
Other independent agencies.....	4,124	4,211	3,601
Allowances ²		400	2,184
Total.....	198,683	221,253	226,779

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

² Includes allowances for acceleration of energy research and development, civilian agency pay raises, and contingencies.

Balances of prior authority.—Table B-4 shows the balances of budget authority carried forward in Federal funds at the end of each fiscal year. To the extent that valid Government obligations have been incurred and remain unpaid, amounts sufficient to pay them may be carried over into the next year. Unobligated balances may be carried forward in accordance with specific provisions of law, usually in order to permit completion of projects as contemplated at the time the

appropriations were first made, but also to provide funding for activities of a continuing nature (such as business-type enterprises) or for standby emergency purposes (such as backup for insurance of the Federal Deposit Insurance Corporation).

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

Department or other unit	Start 1973		End 1973		End 1974		End 1975	
	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated
Legislative branch.....	57	149	69	188	98	156	82	149
The Judiciary.....	16	*	18	*	19	*	20	-----
Executive Office of the President.....	6	2	42	3	39	-----	19	-----
Funds appropriated to the President:								
International security assistance.....	2,124	7	1,991	11	3,257	-----	2,805	-----
International development assistance.....	3,785	9,158	4,520	8,871	6,525	9,809	6,478	9,862
Other.....	1,818	27	1,964	80	2,237	-68	1,342	184
Agriculture.....	6,947	1,557	5,188	3,106	3,451	6,992	3,830	11,351
Commerce.....	1,320	278	1,660	350	1,755	254	1,751	277
Defense—Military ¹	23,997	11,836	26,933	12,643	33,806	10,020	40,155	9,873
Defense—Civil.....	412	222	527	380	836	130	944	11
Health, Education, and Welfare.....	9,959	1,007	12,156	1,404	17,262	719	16,720	361
Housing and Urban Development.....	8,666	13,214	10,233	12,818	10,583	12,307	8,822	15,123
Interior.....	1,012	625	1,209	656	1,438	467	1,451	530
Justice.....	819	204	1,150	103	1,165	64	1,183	77
Labor.....	1,530	423	1,696	485	1,496	347	1,554	348
State.....	73	16	126	40	102	52	122	82
Transportation.....	1,335	2,791	1,959	1,724	2,435	3,552	2,941	2,175
Treasury.....	186	38	209	41	234	11	258	13
Atomic Energy Commission.....	1,117	250	1,110	498	1,668	-----	1,840	-----
Environmental Protection Agency.....	2,028	1,534	4,355	5,467	6,317	5,500	7,476	995
General Services Administration.....	505	254	420	380	368	99	332	153
National Aeronautics and Space Administration.....	1,271	250	1,090	516	1,399	69	1,401	38
Veterans Administration.....	1,066	2,126	1,109	2,243	1,187	2,458	1,287	2,531
Civil Service Commission.....	17	4	18	5	14	5	15	4
Federal Deposit Insurance Corporation.....	-----	3,000	-----	3,000	-----	3,000	-----	3,000
Federal Home Loan Bank Board.....	41	7,545	-26	7,854	-17	8,169	-18	8,503
Postal Service.....	1,355	10,216	1,940	9,498	-----	-----	-----	-----
Other independent agencies.....	2,148	4,352	2,646	4,656	3,275	3,012	3,284	2,449
Allowances ²	-----	-----	-----	-----	100	-----	723	-----
Total.....	73,612	71,084	84,311	77,022	101,047	67,125	106,817	68,089

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

² Includes allowances for acceleration of energy research and development, civilian agency pay raises, and contingencies.

*Less than \$500 thousand.

PUBLIC ENTERPRISE FUNDS

The public enterprise funds are a subgroup of Federal funds, and data thereon are included on a net basis in tables B-2 through B-4. The public enterprise funds carry on a cycle of business-type operations, primarily with the public, on behalf of the Government. Some are incorporated enterprises; others are unincorporated. The general fund usually supplies them with capital, although in a few cases they may borrow from the public.

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

Description	Applicable receipts			Gross outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Funds appropriated to the President:						
Foreign assistance.....	250	465	852	739	343	743
Other.....	82	152	65	151	19	16
Agriculture:						
Commodity Credit Corporation ¹	5,982	4,659	3,757	9,471	5,950	4,455
Farmers Home Administration.....	4,710	5,546	6,456	4,412	5,908	6,160
Other.....	47	47	48	64	43	52
Commerce.....	48	66	78	21	32	40
Defense:						
Military.....	26	41	16	24	64	33
Civil (Panama Canal Company).....	200	213	241	198	224	246
Health, Education, and Welfare.....	48	88	97	106	204	220
Housing and Urban Development:						
Government National Mortgage Association.....	3,036	2,486	4,805	2,057	2,233	4,632
Urban renewal fund.....	831	1,054	882	1,823	2,179	1,982
Low-rent public housing fund.....	648	708	658	635	708	658
Federal Housing Administration.....	1,192	1,176	1,461	2,024	2,262	2,430
Other.....	256	271	289	281	299	292
Interior.....	53	52	58	126	151	139
Transportation.....	29	27	29	440	514	730
Treasury.....	1	2	2	*	1	2
Environmental Protection Agency.....	1	1	1	1	1	1
General Services Administration.....	2	3	3	1	2	2
Veterans Administration.....	1,170	1,060	1,003	719	773	787
Other independent agencies:						
Emergency Loan Guarantee Board....	4	5	3	1	-1	*
Farm Credit Administration.....	6	6	6	6	6	6
Federal Home Loan Bank Board:						
Federal Savings and Loan Insurance Corporation.....	326	375	393	71	40	48
Revolving fund.....	28	32	35	31	39	43
National Credit Union Administration:						
.....	23	26	30	12	15	15
Postal Service ²	9,964	-----	-----	10,121	-----	-----
Small Business Administration.....	411	544	585	1,708	1,267	1,030
Tennessee Valley Authority.....	809	1,027	1,191	1,176	1,447	1,649
Total.....	30,185	20,132	23,042	36,419	24,725	26,411
Receipts from the public.....	(26,086)	(18,347)	(20,727)			
Receipts from other accounts.....	(4,099)	(1,785)	(2,315)			

¹ Receipts include advances from foreign assistance and special export programs of \$895 million in 1973, \$554 million in 1974, and \$778 million in 1975.

² Receipts include payments from the general fund of \$1,410 million in 1973.

*Less than \$500 thousand.

Receipts and outlays.—Receipts of public enterprise funds are estimated at \$23.0 billion in 1975, and gross outlays are planned to total \$26.4 billion (table B-5), resulting in net outlays of \$3.4 billion.

TRUST FUNDS

The trust funds are collected and used for specific purposes; in this sense, they are administered in a fiduciary capacity by the Government. They include one subgroup, trust revolving funds, which, like the public enterprise funds, carry on a businesslike cycle of operations and are normally stated on a net basis (outlays less receipts).

Cash operations.—Trust fund receipts are estimated at \$115.8 billion in 1975, with outlays planned at \$107.4 billion, as shown in table B-6. The transactions of the Federal old-age and survivors and disability insurance funds are far larger than any other trust funds.

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

Description	Outlays			Receipts		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Federal old-age and survivors and disability insurance trust funds.....	49,090	56,235	65,088	49,585	59,321	66,266
Health insurance trust funds.....	9,479	12,180	14,191	11,254	15,477	16,714
State and local government fiscal assistance trust fund.....	6,636	6,147	6,174	8,295	6,055	6,205
Unemployment trust fund.....	5,354	5,850	7,166	6,691	6,910	6,756
Railroad employees retirement funds..	2,445	2,684	3,004	2,277	2,600	3,019
Federal employees retirement funds...	4,555	5,989	7,291	7,646	9,226	10,072
Airport and airway trust funds.....	699	572	1,959	832	851	1,773
Highway trust funds.....	4,811	4,697	4,890	5,912	6,376	6,305
Foreign military sales trust fund.....	1,396	2,454	3,100	1,730	2,615	3,250
Veterans life insurance funds.....	585	678	697	837	850	876
Other trust funds (nonrevolving).....	424	638	546	474	555	487
Trust revolving funds.....	-689	-763	-815	-----	-----	-----
Subtotal.....	84,786	97,363	113,289	95,532	110,836	121,723
Intrafund transactions.....	-816	-993	-1,109	-816	-993	-1,109
Proprietary receipts from the public...	-2,523	-3,433	-4,058	-2,523	-3,433	-4,058
Receipts from off-budget Federal agencies.....	-----	-861	-737	-----	-861	-737
Total.....	81,447	92,075	107,385	92,193	105,548	115,818

In fiscal years 1973-1975, this group of funds has excesses of receipts of the following amounts (in millions of dollars):

	1973 actual	1974 estimate	1975 estimate
Total receipts, trust funds.....	92,193	105,548	115,818
Total outlays, trust funds.....	81,447	92,075	107,385
Excess of receipts, trust funds.....	10,746	13,473	8,433

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

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

[Amounts under proposed legislation are shown separately]

Description	1973 actual	1974 estimate	1975 estimate
Federal old-age, survivors, and disability insurance trust funds:			
Social insurance taxes and contributions.....	46,084	55,584	62,321
Interest on Federal securities.....	2,283	2,477	2,607
Federal payment as employer for employee retirement.....	695	764	828
Other (mainly receipts of special Federal payments).....	524	496	499
Proposed legislation.....	-----	-----	11
Subtotal Federal old-age, survivors, and disability insurance trust funds.....	<u>49,585</u>	<u>59,321</u>	<u>66,266</u>
Health insurance trust funds:			
Social insurance taxes and contributions.....	9,030	12,423	13,148
Interest on Federal securities.....	239	397	565
Federal payment as employer for employee retirement.....	121	147	150
Other (mainly receipts of special Federal payments).....	1,864	2,510	2,851
Subtotal Health insurance trust funds.....	<u>11,254</u>	<u>15,477</u>	<u>16,714</u>
State and local government fiscal assistance trust fund:			
Deposits for General Revenue Sharing.....	8,295	6,055	6,205
Unemployment trust fund:			
Social insurance taxes and contributions.....	6,198	6,198	5,975
Interest on Federal securities.....	487	708	775
Other receipts.....	6	5	6
Subtotal Unemployment trust fund.....	<u>6,691</u>	<u>6,910</u>	<u>6,756</u>
Railroad employees retirement funds:			
Social insurance taxes and contributions.....	1,189	1,340	1,436
Interest on Federal securities.....	264	265	265
Receipts from other trust funds.....	802	977	1,082
Other (mainly receipts of special Federal payments).....	22	19	—1
Proposed legislation.....	-----	-----	238
Subtotal Railroad employees retirement funds.....	<u>2,277</u>	<u>2,600</u>	<u>3,019</u>
Federal employees retirement funds:			
Social insurance taxes and contributions.....	2,186	2,361	2,483
Interest on Federal securities.....	1,570	1,819	2,037
Federal payment as employer for employee retirement (including payment on prior year liabilities):			
Agencies included in budget.....	3,885	3,881	4,793
Agencies excluded from budget.....	-----	861	737
Other receipts.....	6	11	22
Proposed legislation.....	-----	292	-----
Subtotal Federal employees retirement funds.....	<u>7,646</u>	<u>9,226</u>	<u>10,072</u>
Airport and airway trust fund:			
Excise taxes.....	758	851	951
Special Federal payment.....	73	-----	-----
Proposed legislation: Federal payment.....	-----	-----	822
Subtotal Airport and airway trust fund.....	<u>832</u>	<u>851</u>	<u>1,773</u>

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

[Amounts under proposed legislation are shown separately]

Description	1973 actual	1974 estimate	1975 estimate
Highway trust funds:			
Excise taxes.....	5,665	6,001	5,840
Interest on Federal securities.....	247	375	465
Subtotal Highway trust funds.....	5,912	6,376	6,305
Foreign military sales trust fund.....	1,730	2,615	3,250
Veterans life insurance trust funds:			
Interest on Federal securities.....	340	370	406
Other receipts.....	497	479	470
Subtotal Veterans life insurance trust funds.....	837	850	876
Other trust funds (nonrevolving).....	474	555	487
Subtotal.....	95,532	110,836	121,723
Intrafund transactions.....	-816	-993	-1,109
Proprietary receipts from the public.....	-2,523	-3,433	-4,058
Receipts from off-budget Federal agencies.....		-861	-737
Total receipts.....	92,193	105,548	115,818

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

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

[Amounts under proposed legislation are shown separately]

Description	1973 actual	1974 estimate	1975 estimate
Federal old-age, survivors, and disability insurance trust funds:			
Benefit payments.....	47,332	54,298	63,264
Payments to other trust funds.....	802	977	1,082
Administrative expenses and other.....	956	960	1,087
Proposed legislation.....			-345
Subtotal Federal old-age, survivors, and disability insurance trust funds.....	49,090	56,235	65,088
Health insurance trust funds:			
Benefit payments.....	9,039	11,431	13,417
Administrative expenses and other.....	440	749	774
Subtotal Health insurance trust funds.....	9,479	12,180	14,191
State and local government fiscal assistance trust fund:			
Payments for General Revenue Sharing.....	6,630	6,147	6,174
Unemployment trust fund:			
Withdrawals for benefit payments.....	4,478	4,722	6,193
Repayment of advances to the general fund.....		250	65
Administrative expenses and other.....	876	878	908
Subtotal Unemployment trust fund.....	5,354	5,850	7,166
Railroad employees retirement funds:			
Benefit payments and claims.....	2,419	2,657	2,775
Administrative expenses and other.....	26	26	31
Proposed legislation.....		1	198
Subtotal Railroad employees retirement funds.....	2,445	2,684	3,004
Federal employees retirement:			
Benefit payments and claims.....	4,346	5,734	6,990
Refunds to former employees.....	201	246	291
Administrative expenses and other.....	8	9	10
Subtotal Federal employees retirement.....	4,555	5,989	7,291
Airport and airway trust fund:			
Current programs.....	699	572	681
Proposed legislation.....			1,278
Subtotal Airport and airway trust fund.....	699	572	1,959
Highway trust funds:			
Current programs (mainly grants to States).....	4,811	4,696	4,881
Proposed legislation.....		1	8
Subtotal Highway trust funds.....	4,811	4,697	4,890
Foreign military sales trust fund.....	1,396	2,454	3,100
Veterans life insurance trust funds.....	585	678	697
Other trust funds (nonrevolving).....	424	638	546
Trust revolving funds.....	-689	-763	-815
Subtotal.....	84,786	97,363	113,289
Intrafund transactions.....	-816	-993	-1,109
Proprietary receipts from the public.....	-2,523	-3,433	-4,058
Receipts from off-budget Federal agencies.....		-861	-737
Total outlays.....	81,447	92,075	107,385

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):

	1972 actual	1973 actual	1974 esti- mate	1975 esti- mate
Open book balances.....	6,232	5,932	5,329	5,261
Investments in U.S. securities:				
Public debt.....	102,467	113,512	127,588	136,090
Agency debt.....	1,340	1,340	1,340	1,340
Total.....	110,039	120,784	134,257	142,691

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

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

Description	As of June 30			
	1972 actual	1973 actual	1974 estimate	1975 estimate
Federal old-age, survivors, and disability insurance trust funds.....	43,805	44,300	47,385	48,564
Health insurance trust funds.....	3,339	5,114	8,411	10,934
State and local government fiscal assistance trust fund.....		1,658	1,566	1,597
Unemployment trust fund.....	9,807	11,099	12,155	11,745
Railroad retirement accounts.....	4,755	4,631	4,552	4,568
Federal employees retirement funds.....	28,066	31,157	34,395	37,176
Airport and airway trust fund.....	1,058	1,191	1,470	1,284
Highway trust funds.....	4,489	5,590	7,269	8,685
Foreign military sales trust fund.....	377	710	871	1,021
Veterans life insurance funds.....	7,196	7,448	7,620	7,798
Other trust funds (nonrevolving).....	619	668	585	526
Trust revolving funds.....	6,527	7,216	7,979	8,794
Total.....	110,039	120,784	134,257	142,691

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:

	1972	1973	1974	1975
Balance available on an authorization basis.....	125,061	132,356	151,665	161,322
Unfinanced contract authority:				
Airport and airway trust fund.....	-688	-1,208	-958	-678
Highway trust funds.....	-14,734	-10,119	-17,445	-19,256
Foreign military sales trust fund.....	-4,299	-6,204	-7,248	-8,093
Other.....	-2	-10		
Unappropriated receipts:				
Available as needed, on an indefinite basis.....	*	3	15	15
Available for appropriation by Congress:				
Soldiers' Home permanent fund.....	105	98	93	89
Airport and airway trust fund.....	227	578	917	678
Highway trust funds.....	4,370	5,283	7,213	8,607
Retained as permanent endowment.....	6	6	6	6
Balance available on a cash basis.....	110,039	120,784	134,257	142,691

*Less than \$500 thousand.

For 1975, as in many recent years, the largest net investments are expected to be those of the trust funds established by the Social Security Act as amended.

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

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

Description	Applicable receipts			Gross outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Civil Service Commission (employees' life insurance and health benefits).....	1,948	2,124	2,386	1,815	1,907	2,134
Federal Deposit Insurance Corporation.....	590	577	605	52	19	40
All other trust revolving funds...	156	166	175	138	178	177
Total trust revolving funds ¹	2,694	2,867	3,166	2,005	2,104	2,351
Receipts from the public.....	(1,751)	(1,806)	(2,017)			
Receipts from other accounts...	(943)	(1,061)	(1,148)			

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

SPECIAL ANALYSIS C

BORROWING, DEBT, AND INVESTMENT

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

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

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

Special Analysis E examines the related subject of Federal credit programs, including direct loans, loans by Government-sponsored enterprises, and Government-guaranteed loans. The factors discussed in both Special Analyses C and E are significant in appraising the impact on financial markets of the programs contained in the 1975 Federal budget.

BORROWING AND REPAYING DEBT

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

The gross Federal debt includes debt held by both the public and the agencies. Since Treasury borrowing from the agencies is an internal transaction between two funds both within the Government itself, only borrowing from the public affects the volume of securities sold

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

in the financial markets, the size and composition of assets held by the private sector, and the taxes required to pay interest on the Federal debt.

Borrowing from the public—whether by the Treasury or by an agency—has a significant impact on financial markets and thereby on the economy, and it is consequently an important concern of Federal fiscal policy. For many purposes the borrowing from the public exclusive of the Federal Reserve System is even more important than borrowing from the public as a whole. Federal Reserve purchases of debt expand bank reserves and the money supply and thus have a markedly different effect on financial markets than do purchases by other sectors of the public. Moreover, almost all interest received by the Federal Reserve System is returned to the Treasury as a receipt, called a deposit of earnings, so the net cost to the Government of Federal Reserve purchases of debt is very small. However, the debt held by the public exclusive of the Federal Reserve System is not estimated in this analysis for future periods. Federal Reserve purchases and sales of debt are undertaken for monetary policy purposes and thus depend on future economic developments and on policy decisions not yet made.

Table C-1 summarizes Federal borrowing from 1973 through 1975. In 1973 the total Federal borrowing (net of the refunding of securities)—i.e., the rise in gross Federal debt—was \$31.1 billion. The borrowing from Government agencies was \$11.8 billion, and the borrowing from the public was \$19.3 billion. Of the amount borrowed from the public, \$3.8 billion was borrowed from the Federal Reserve System and \$15.5 billion was borrowed from other lenders, which

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

Description	Increase or decrease (-)			Debt outstanding end 1975 estimate
	1973 actual	1974 estimate	1975 estimate	
Gross Federal debt:				
Public debt (issued by Treasury).....	30,881	16,319	19,797	493,433
Agency debt (issued by agencies).....	216	1,606	1,826	14,540
Gross Federal debt ¹	31,097	17,924	21,623	507,973
Less debt held by Government agencies:				
Public debt.....	11,925	14,494	9,141	147,020
Agency debt.....	-104	-69	-18	1,909
Debt held by Government agencies	11,822	14,424	9,123	148,929
Total, debt held by the public	19,275	3,500	12,500	359,045
Composed of:				
Debt held by the Federal Reserve System.....	3,756	NA	NA	NA
Debt held by others.....	15,519	NA	NA	NA

NA= Not available.

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

comprise commercial banks, foreign central banks, other financial institutions, and individuals. Borrowing from the public is expected to be \$3.5 billion in 1974 and \$12.5 billion in 1975. By the end of 1975 gross Federal debt is expected to be \$508.0 billion, with 71% held by the public (including the Federal Reserve System) and the remaining 29% by the agencies. Ninety-seven percent of the gross Federal debt will have been issued by the Treasury.

Until recently the Federal debt has been held almost entirely by domestic individuals and institutions. After World War II the public debt held in foreign balances and international accounts² tended to grow gradually and by the end of 1969 amounted to \$10 billion. However, due to international monetary developments, in 1970 the foreign and international holdings began to grow much faster, and by the end of 1973 they had risen to \$59 billion. Most of the public debt held abroad is owned by foreign central banks. The annual borrowing from abroad is shown below for 1968-73 in comparison with the annual borrowing from the domestic public, exclusive of the Federal Reserve System (in billions of dollars):

	1968	1969	1970	1971	1972	1973
Foreign and international ¹	-0.7	-0.4	3.7	17.9	17.3	10.2
Domestic (excluding Federal Reserve System).....	18.3	-12.6	-1.9	-6.3	-3.8	5.3
Total borrowing from the public (excluding Federal Reserve System).....	17.6	-13.0	1.8	11.6	13.5	15.5

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

As this table suggests, until 1970 the total borrowing from the public and the domestic borrowing from the public were about the same. In 1970, however, total borrowing was modestly larger than domestic borrowing; and in 1971 and 1972 Government borrowing from abroad was between \$17 billion and \$18 billion, which was several times higher than ever before. Consequently, despite the Government's very large borrowing from the public in 1971 and 1972, the amount of Federal debt held by the domestic public (exclusive of the Federal Reserve System) decreased in both these years. In 1973 the Government continued to borrow heavily, with about two-thirds of the additional debt being bought by foreign holders.

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

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

year, the recorded gross Federal borrowing was thereby increased by about \$4.5 billion and total lending by Government agencies to the Treasury was similarly increased. The debt held by the public and the borrowing from the public are not affected by this procedural, nonrecurring change.

BORROWING AND GOVERNMENT DEFICITS

Table C-2 shows how borrowing from the public is related to the budget deficit. The deficit is financed either by borrowing from the public or by several other means. These other means of financing the budget deficit may be either positive, in which case they contribute to the financing of the deficit; or negative, in which case they, like the budget deficit, must themselves be financed. In 1973 the borrowing from the public was \$19.3 billion. The major part, \$14.3 billion, was used to finance the deficit. The remaining \$5.0 billion was used to finance the negative total for the other means of financing the deficit.

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

	1973 actual	1974 estimate	1975 estimate
Budget deficit.....	14,301	4,660	9,445
Means of financing the deficit:			
Borrowing from the public.....	19,275	3,500	12,500
Other:			
Decrease or increase (-) in cash and monetary assets.....	-846	3,000	-----
Increase or decrease (-) in liabilities for:			
Checks outstanding, etc. ¹	-3,035	-126	-109
Deposit fund balances.....	-886	-672	-830
Seigniorage on coins.....	400	448	705
Outlays of off-budget Federal agencies (-) ²	-608	-2,709	-2,821
Increment on gold.....	-----	1,219	-----
Subtotal, means of financing other than borrowing from the public.....	-4,974	1,160	-3,055
Total, means of financing.....	14,301	4,660	9,445

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

² The off-budget Federal agencies consist of the Rural electrification and telephone revolving fund (as of May 12, 1973), Rural Telephone Bank (as of May 12, 1973), Environmental Financing Authority, Export-Import Bank, Postal Service (as of July 1, 1973), and Federal Financing Bank (for which data are not yet available).

The means of financing the budget deficit other than borrowing from the public are:

- A decrease in cash or monetary assets;
- An increase in monetary liabilities for checks outstanding, etc.;
- An increase in deposit fund balances, which are liabilities that arise when the Federal Government temporarily holds money in a deposit as an agent for someone else (such as State income taxes withheld from Federal employees' salaries and not yet paid to the States);
- Seigniorage, which is the face value of minted coins less the cost of their production;
- The outlays of the off-budget Federal agencies, which enter with a negative sign since they have to be financed by borrowing or other means in the same way as does a budget deficit; and
- The increment on gold, which is the increase in the value of gold assets of the United States in 1974 due to the change in the par value of the dollar authorized by section 2 of the Par Value Modification Act as amended by Public Law 93-110.

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

Borrowing from the agencies is related to the surpluses of the trust funds, which, as shown in table C-6, own 92% of the Federal debt held by Government agencies. The relationship between borrowing from agencies and trust fund surpluses during 1973-75 can be seen by comparing the purchase of Federal debt by the agencies, given in table C-1, with the aggregate surplus of the trust funds. This was \$10.7 billion in 1973 and is expected to be \$13.5 billion in 1974 and \$8.4 billion in 1975. The comparison for 1973 needs to take into account that the recorded agency borrowing was raised by about \$4.5 billion due to the procedural change discussed above.

SIZE AND GROWTH OF FEDERAL DEBT

Gross Federal debt has risen substantially over most of the past four decades, from about \$16 billion in 1929 to \$468.4 billion at the end of 1973. Table C-3 presents the detail of this change since 1954 and shows that a sizable part of the increase is held in Federal Government accounts (primarily trust funds) rather than being owed to the public. From the end of 1954 to the end of 1973, gross Federal debt rose by 73% while Federal debt held by the public rose by 53%. Federal debt held by the public apart from the Federal Reserve System rose still less, by 34%—an annual compound rate of growth of 1.6% over the 19 years—because over this period the Federal Reserve System bought a large quantity of Federal debt in the market, thereby expanding the reserves of the banking system and providing for growth in the Nation's money stock.

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

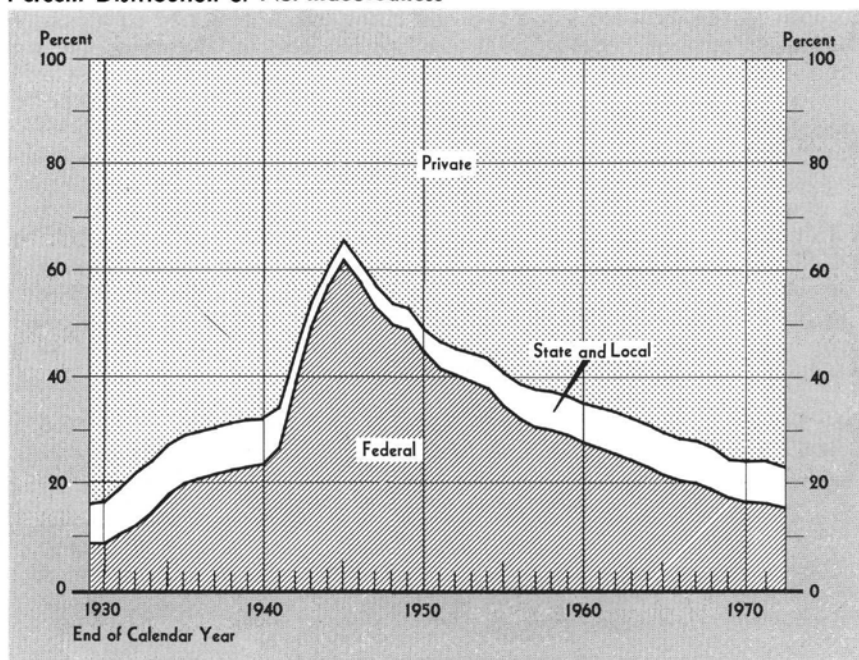
Fiscal year	Debt outstanding, end of year					GNP	Debt held by public as percent of GNP
	Gross Federal debt ¹	Federal Government accounts	Held by				
			The public				
			Total	Federal Reserve System	Other		
1954	270.8	46.3	224.5	25.0	199.5	362.1	62.0
1955	274.4	47.8	226.6	23.6	203.0	378.6	59.9
1956	272.8	50.5	222.2	23.8	198.5	409.4	54.3
1957	272.4	52.9	219.4	23.0	196.4	431.3	50.9
1958	279.7	53.3	226.4	25.4	200.9	440.3	51.4
1959	287.8	52.8	235.0	26.0	209.0	469.1	50.1
1960	290.9	53.7	237.2	26.5	210.7	495.2	47.9
1961	292.9	54.3	238.6	27.3	211.4	506.5	47.1
1962	303.3	54.9	248.4	29.7	218.7	542.1	45.8
1963	310.8	56.3	254.5	32.0	222.4	573.4	44.4
1964	316.8	59.2	257.6	34.8	222.8	612.2	42.1
1965	323.2	61.5	261.6	39.1	222.5	654.2	40.0
1966	329.5	64.8	264.7	42.2	222.5	721.2	36.7
1967	341.3	73.8	267.5	46.7	220.8	769.8	34.8
1968	369.8	79.1	290.6	52.2	238.4	826.0	35.2
1969	367.1	87.7	279.5	54.1	225.4	898.3	31.1
1970	382.6	97.7	284.9	57.7	227.2	954.6	29.8
1971	409.5	105.1	304.3	65.5	238.8	1,012.5	30.1
1972	437.3	113.6	323.8	71.4	252.3	1,100.0	29.4
1973 ²	468.4	125.4	343.0	75.2	267.9	1,220.0	28.1
1974 estimate ²	486.4	139.8	346.5	NA	NA	1,340.0	25.9
1975 estimate ²	508.0	148.9	359.0	NA	NA	1,455.0	24.7

NA=Not available.

¹ Excludes the special non-interest-bearing notes issued to the International Monetary Fund and international lending agencies. These notes are included in the Treasury figures for total outstanding Federal debt.

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

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

Percent Distribution of Net Indebtedness¹

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

Since 1945, however, private debt has increased as a proportion of total debt in every year but one, and in every single year the Federal debt held by the public (including the Federal Reserve System) has decreased as a proportion of the total. State and local government debt has risen in amount every year and has risen in proportion to total debt for the period as a whole. From the end of calendar year 1953 to the end of 1972, Federal debt held by the public rose 50%, State and local government debt rose 475%, and private debt rose 427%. By the end of calendar year 1972, Federal debt held by the public was only 15% of total debt. As a result of these trends, Federal debt and borrowing, although still significant, have become relatively much smaller influences in the financial markets.

During this same period the Federal debt has decreased relative to gross national product. As shown in table C-3, debt held by the public equaled 62% of gross national product at the end of 1954 but declined steadily to 30% by the end of 1970 and is expected to decline further to 25% by the end of 1975.

The interest cost of the debt may be more significant than the amount of the debt for some types of comparison designed to measure the importance of Federal indebtedness. Interest on the debt held by the public has risen much faster than the debt itself, due to a strong upward trend since World War II in the interest rates that must be paid on new borrowings and on refunded debt. Between 1954 and 1973 the Federal debt held by the public grew 53%, but, as shown in table C-4, the interest paid to the public more than tripled. For this period as a whole, interest payments to the public grew faster than gross national product. In the first 5 years, 1954-58, interest was equal to 1.40% of gross national product, whereas by the last 5 years, 1969-73, the proportion had risen moderately to 1.57%. On the other hand, the proportion of budget outlays devoted to paying interest on the debt held by the public did not show any trend over the period as a whole and fluctuated around an average of 7.7%.

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

Fiscal year	Interest on the gross Federal debt					Interest on debt held by the public as a percent of	
	Total	Federal Government accounts	Paid to			GNP	Budget outlays ²
			The public				
			Total	Federal Reserve System ¹	Other		
1954	6.4	1.2	5.2	0.5	4.7	1.43	7.31
1955	6.4	1.2	5.2	0.4	4.8	1.37	7.56
1956	6.8	1.3	5.6	0.5	5.1	1.36	7.91
1957	7.3	1.4	5.9	0.7	5.3	1.38	7.74
1958	7.8	1.4	6.3	0.7	5.6	1.44	7.68
1959	7.8	1.4	6.4	0.8	5.6	1.37	6.96
1960	9.5	1.5	8.1	1.0	7.1	1.63	8.74
1961	9.3	1.5	7.8	1.0	6.8	1.54	7.97
1962	9.5	1.6	7.9	1.0	6.9	1.46	7.40
1963	10.3	1.6	8.7	1.1	7.6	1.51	7.78
1964	11.0	1.8	9.3	1.2	8.0	1.51	7.80
1965	11.8	1.9	9.8	1.4	8.4	1.50	8.31
1966	12.6	2.1	10.5	1.7	8.8	1.45	7.77
1967	14.2	2.5	11.7	2.0	9.7	1.52	7.39
1968	15.6	3.0	12.7	2.4	10.3	1.54	7.09
1969	17.7	3.5	14.2	2.9	11.3	1.58	7.68
1970	20.0	4.4	15.6	3.5	12.2	1.64	7.95
1971	21.6	5.3	16.4	3.7	12.6	1.62	7.74
1972	22.5	5.8	16.6	3.7	12.9	1.51	7.20
1973	24.8	6.3	18.5	3.8	14.7	1.52	7.51
1974 estimate	29.8	7.4	22.4	NA	NA	1.67	8.17
1975 estimate	31.3	8.1	23.2	NA	NA	1.59	7.62

NA=Not available.

¹ Estimated.

² Budget outlays for 1954-75 are given in the Budget, part 7, table 20.

Since the end of World War II the composition of the Federal debt has changed, with an increasingly large proportion of Federal securities having a relatively short maturity. One contributing factor was the statutory ceiling of 4¼% that has been maintained since 1918 on the interest rate which could be paid on Treasury bonds.³ Because long-term market rates have been higher than 4¼% in recent years, the ceiling prevented the Treasury from selling long-term obligations after 1965. The ceiling thereby tended to increase the gross dollar volume of debt refunded each year. Since 1965, the average maturity of Treasury marketable debt has declined from about 5 years to about 3 years. This restriction on Treasury borrowing was relaxed in March 1971 by a law that allowed the Treasury to issue up to \$10 billion of long-term bonds at interest rates above 4¼%. In July 1973 the restriction was relaxed further by exempting from this limit those bonds held by Government accounts and the Federal Reserve System. Since the change of law in 1971, Treasury has sold \$9.8 billion of bonds, including those bought by Government accounts and the Federal Reserve System. The interest rates have ranged upwards from 6.1% with an average of 6.7%.

BORROWING BY FEDERAL AGENCIES

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

Net changes in outstanding agency debt were shown in total in table C-1 and are shown by agency in table C-5. In 1973 the new agency borrowing exceeded the repayment of agency debt by \$0.2 billion. In 1974 and 1975, net agency borrowing is expected to be \$1.6 billion and \$1.8 billion, respectively. The agency debt outstanding on June 30, 1975, is estimated to be \$14.5 billion, which is 3% of gross Federal debt.

By the end of 1975, \$4.3 billion of the agency debt, or over a quarter of the total, will consist of certificates of participation in pools of loans issued in prior years by the Government National Mortgage Association, as trustee on behalf of the Department of Agriculture, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Veterans Administration, and the Small Business Administration. The issuance of certificates of participation was discontinued after 1968.

Agency debt includes the borrowing of off-budget Federal agencies, which are wholly Government-owned corporations whose transactions are excluded from the budget totals. Those off-budget agencies that will have borrowed by the end of 1975 are the Export-Import Bank,

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

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

Description	Increase or decrease (-) in debt			Debt out- standing end 1975 estimate
	1973 actual	1974 estimate	1975 estimate	
Borrowing from the public:				
Agriculture: Farmers Home Administration ²	-25			317
Defense	-83	-87	-95	1,110
Health, Education, and Welfare ²	-2			130
Housing and Urban Development:				
College housing loans ²	-32			304
Public facility loans ²	-3			94
Federal Housing Administration	-39	-*	-1	352
Housing for the elderly ²	-*			64
Government National Mortgage Association ²	-97	-65	-78	696
Veterans Administration ²	-246	-45	-32	677
Export-Import Bank	402	919	1,063	4,203
Postal Service		475	500	1,225
Small Business Administration ²	-42			283
Tennessee Valley Authority	488	471	480	3,155
All other	-*	7	7	22
Total borrowing from the public	319	1,675	1,844	12,631
Borrowing from other funds:				
Agriculture: Farmers Home Administration ²	1			175
Defense	-21	-14	-14	164
Health, Education, and Welfare ²	*			68
Housing and Urban Development:				
College housing loans ²	1			163
Public facility loans ²	*			49
Federal Housing Administration	-3	-4	-4	49
Housing for the elderly ²	*			33
Government National Mortgage Association ²	3			500
Veterans Administration ²	3			546
Small Business Administration ²	1			161
Tennessee Valley Authority	-88	-51		
Total borrowing from other funds	-104	-69	-18	1,909
Total agency borrowing ¹	216	1,606	1,826	14,540

*Less than \$500 thousand.

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

excluded by statute from the budget totals as of August 17, 1971; the Postal Service fund, excluded from the budget totals as of July 1, 1973, after the transition period provided in the Postal Reorganization Act; and the Federal Financing Bank (FFB), created off-budget as of December 29, 1973, for which borrowing estimates are not yet available.

The FFB was created under the Treasury Department to assist agency borrowing and Government-guaranteed borrowing and to coordinate these borrowings with Treasury debt management. It was given the authority to purchase agency debt and Government-guaranteed loans and, in turn, can finance its purchases of these obligations by selling its own debt instruments to the public. Since the FFB should be able to borrow from the public at lower interest rates than other agencies have to pay, this new procedure is expected to reduce the cost of agency borrowing activities. To the extent that this procedure is used, the FFB will serve as a conduit for agency borrowing, and FFB securities will replace the securities of other agencies in the market.

The Treasury provides capital to business-type Government enterprises both in the form of capital stock and in the form of "debt." This provision of "debt" is shown as "borrowing from Treasury" on the statements of financial condition for enterprises in the Budget Appendix. However, the equity and the "debt" instruments are the same in substance; and it would be double counting to add together the agency "borrowing" from the Treasury and the Treasury borrowing from the public that was necessary to provide the agencies with this capital. Therefore, agency "borrowing" from Treasury is excluded from figures on agency "borrowing" and "debt" in all other parts of the budget documents.

AGENCY INVESTMENT IN FEDERAL SECURITIES

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

As shown in table C-6, net investment by trust funds and other Federal agencies in Government securities was \$11.8 billion in 1973. About \$4.5 billion was due to the procedural change mentioned earlier for the securities held by certain social insurance trust funds. Net investment is estimated to be \$14.4 billion in 1974 and \$9.1 billion in 1975. The total agency holdings of Federal securities will reach an estimated \$148.9 billion by June 30, 1975. This will constitute 29% of the gross Federal debt. Two major groups of trust funds—the social security funds and the Civil Service Commission funds—will account for 66% of total agency holdings, and all the trust funds together will account for 92%. Ninety-nine percent of the holdings will be Treasury debt, and the holdings of agency debt will decline by small amounts each year.

Table C-6. AGENCY INVESTMENT IN FEDERAL SECURITIES ¹
(in millions of dollars)

Description	Increase or decrease (-) in holdings			Holdings end 1975 estimate
	1973 actual	1974 estimate	1975 estimate	
Investment in public debt (issued by Treasury):				
Health, Education, and Welfare:				
Federal old-age and survivors ins. trust fund ¹	2,298	3,049	1,091	39,086
Federal disability insurance trust fund ¹	792	582	87	8,473
Federal hospital insurance trust fund.....	1,338	3,025	2,309	9,507
Federal supplementary medical ins. trust fund.....	222	354	214	1,267
Housing and Urban Development:				
Federal Housing Administration.....	40	37	128	1,303
Government National Mortgage Association.....	277	287	238	1,402
Other.....	20	27	1	135
Labor: Unemployment trust fund.....	1,144	1,033	-410	11,579
Transportation: Highway trust fund.....	1,094	1,710	1,420	8,680
Treasury: Exchange stabilization fund.....	347	(²)	(²)	² 2,934
Veterans Administration:				
National service life insurance fund.....	272	209	214	6,850
Other trust funds.....	-27	-37	-36	618
Other.....	53	67	68	740
Civil Service Commission:				
Civil Service retirement and disability fund ¹	3,198	3,404	2,730	36,625
Other trust funds.....	139	214	252	1,934
Federal Deposit Insurance Corp.: Trust fund.....	537	558	565	6,759
Federal Home Loan Bank Board: FSLIC.....	258	334	344	3,586
Postal Service.....	-181	-385	-200	500
Railroad Retirement Board: Trust funds ¹	24	-62	16	4,513
Other trust funds.....	14	35	49	198
All other.....	65	50	61	330
Total investment in public debt.....	11,925	14,494	9,141	147,020
Investment in agency debt:				
Agriculture: CCC.....	-6	-6	-6	41
Health, Education, and Welfare:				
Federal old-age and survivors ins. trust fund.....				555
Federal hospital insurance trust fund.....				50
Housing and Urban Development:				
Federal Housing Administration.....	-9	-4	-4	189
Government National Mortgage Association.....	12	-54	-8	197
Veterans Administration: National service life insurance fund.....				
				310
Civil Service Commission: Civil Service retirement and disability fund.....				
				375
Federal Home Loan Bank Board: FSLIC.....	-2			142
Postal Service.....	-99	-5		
Railroad Retirement Board: Trust funds.....				50
Total investment in agency debt.....	-104	-69	-18	1,909
Total agency investment in Federal securities..	11,822	14,424	9,123	148,929

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

² The change in holdings is not estimated due to the uncertainties in foreign exchange, and the 1975 yearend holdings are taken to be the actual holdings at the end of 1973.

LIMITATIONS ON FEDERAL DEBT

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

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

The statutory limitation was \$450 billion from March 15, 1972, to October 31, 1972, and was increased to \$465 billion for the period beginning November 1, 1972, and ending November 30, 1973. This limit consisted of a permanent limit of \$400 billion and a temporary increase to that limit of \$65 billion. On November 30, 1973, the temporary increase of \$65 billion expired, and the level of the statutory limitation was reduced to the permanent limit of \$400 billion. On that date the outstanding debt subject to limit was \$65.0 billion more than the permanent limit. On December 3, 1973, a temporary increase of \$75.7 billion was enacted, which raised the statutory limitation to \$475.7 billion. This temporary limitation expires on June 30, 1974, after which the permanent limit of \$400 billion is scheduled to come into effect again.

The outstanding debt subject to limitation is shown in table C-7 and compared with the gross Federal debt and the Federal debt held by the public. The debt subject to limitation was \$459.1 billion at the end of 1973 and is expected to be \$475.4 billion and \$495.2 billion at the ends of 1974 and 1975, respectively. These amounts are substantially more than the permanent debt limit of \$400 billion. The debt subject to limitation equals about 98% of the gross Federal debt. Like the gross Federal debt, it was increased by about \$4.5 billion at the end of 1973 and each subsequent year due to the procedural change in the recording of trust fund holdings of public debt at the end of the month.

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

Description	End of year		
	1973 actual	1974 estimate	1975 estimate
Federal debt held by the public	343,045	346,545	359,045
Add: Federal debt held by Government agencies	125,381	139,806	148,929
Gross Federal debt	468,426	486,350	507,973
Deduct:			
Public debt not subject to limitation	620	618	618
Agency debt not subject to general limitation:			
Department of Defense	1,484	1,382	1,274
Export-Import Bank	2,221	3,141	4,203
Postal Service	250	725	1,225
Tennessee Valley Authority	2,255	2,675	3,155
Participation certificates ¹	3,345	3,235	3,125
Other	8	15	22
Total Federal debt not subject to limitation	10,182	11,790	13,622
Federal debt subject to statutory limitation	458,244	474,560	494,351
Add:			
District of Columbia Stadium bonds	20	20	20
Special notes held by International Monetary Fund	825	825	825
Total debt subject to statutory limitation	459,089	475,405	495,196

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

The Federal debt held by the public is projected to increase by \$3.5 billion in 1974 and by \$12.5 billion in 1975. The debt subject to statutory limitation is expected to rise by more: \$16.3 billion and \$19.8 billion in these 2 years, respectively. The greater growth in the debt subject to limitation is due primarily to the Government trust funds and other agencies investing in Federal debt. Their holdings are almost all subject to the statutory limitation, but they are not part of the debt held by the public.

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

FEDERALLY ASSISTED BORROWING

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

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

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

As shown in table C-8, the net borrowing by these seven Government-sponsored enterprises totaled \$8.8 billion in 1973 and is expected to be \$13.6 billion in 1974 and \$1.3 billion in 1975. The large borrowing in 1973 and 1974 primarily reflects strong support for the housing market provided by the Federal home loan banks, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation. The small net borrowing estimated for 1975 is mostly due to the activity of the Federal home loan banks. They are expected to advance substantially less new credit than previously to their member savings institutions, and to have a substantial rise in the repayment of advances that they made in previous years. Special Analysis E discusses the lending by the Government-sponsored enterprises.

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

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

Description	Increase or decrease (-)			Debt out- standing end 1975 estimate
	1973 actual	1974 estimate	1975 estimate	
Health, Education, and Welfare: Student Loan Marketing Association.....		480	970	1,450
Housing and Urban Development: Federal National Mortgage Association.....	1,834	4,726	2,035	27,127
Farm Credit Administration:				
Banks for cooperatives.....	569	249	178	2,844
Federal intermediate credit banks.....	555	766	969	8,471
Federal land banks.....	1,518	1,423	1,497	12,042
Federal Home Loan Bank Board:				
Federal home loan banks.....	3,706	5,479	-5,182	¹ 10,212
Federal Home Loan Mortgage Corporation ²	618	486	800	3,519
Total.....	8,801	13,609	1,267	65,665

¹ Excludes \$300 million of loans to the Federal Home Loan Mortgage Corporation in order to prevent double-counting for the Government-sponsored enterprises as a whole.

² Figures exclude the sale of participation certificates (pass-through type) that offset the purchase of mortgage loans. These sales are treated by FHLMC as a sale of loan assets rather than as borrowing and therefore are not reflected as debt on its balance sheet. Net increases in outstanding participation certificates were \$267 and \$433 million in 1972 and 1973 and are estimated at \$920 and \$1,495 million in 1974 and 1975, with 1975 yearend outstandings of \$3,115 million.

The other type of federally assisted borrowing, Government-guaranteed borrowing, is supported by the programs of several Government agencies. The major part of Government-guaranteed debt consists of mortgages on residential property. As shown in table C-9, Government-guaranteed borrowing was \$15.2 billion in 1973 and is expected to be \$15.4 billion in 1974 and \$13.3 billion in 1975. Special Analysis E analyzes the guarantee programs in detail.

TOTAL FEDERAL AND FEDERALLY ASSISTED BORROWING

Table C-9 summarizes Federal and federally assisted borrowing from the public. Federal borrowing from the public is presented in total. Borrowing by Government-sponsored enterprises and Government-guaranteed borrowing are presented both in total and as net amounts, the latter having been adjusted in order to remove double counting in the derivation of total Federal and federally assisted borrowing from the public. By the end of 1975, the Federal debt held by the public is expected to be \$359.0 billion, and the total Federal and federally assisted debt held by the public is expected to be \$590.9 billion.

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

Description	Borrowing or repayment (-)			Debt outstanding end 1975 estimate
	1973 actual	1974 estimate	1975 estimate	
Federal borrowing from the public ¹	19.3	3.5	12.5	359.0
Borrowing by Government-sponsored enterprises ²	8.8	13.6	1.3	65.7
Less increase in holding of Federal debt	-1.9	1.1	.6	4.5
Net Government-sponsored borrowing from public	10.7	12.5	.7	61.1
Government-guaranteed borrowing ³	15.2	15.4	13.3	202.8
Less: Change in Government-guaranteed loans held by Federal agencies or Government-sponsored enterprises:				
Federal National Mortgage Association	2.2	3.0	1.4	25.2
Government National Mortgage Association	-1.2	-.5	-.6	2.9
Environmental Financing Authority .....		.1	.2	.3
Export-Import Bank	-.2			
Student Loan Marketing Association .....		.5	1.0	1.4
Federal Home Loan Mortgage Corporation .....	.4	.3	.3	2.2
Net Government-guaranteed borrowing from public	14.0	12.0	11.0	170.7
Total, Federal and federally assisted borrowing from the public	44.0	28.1	24.2	590.9

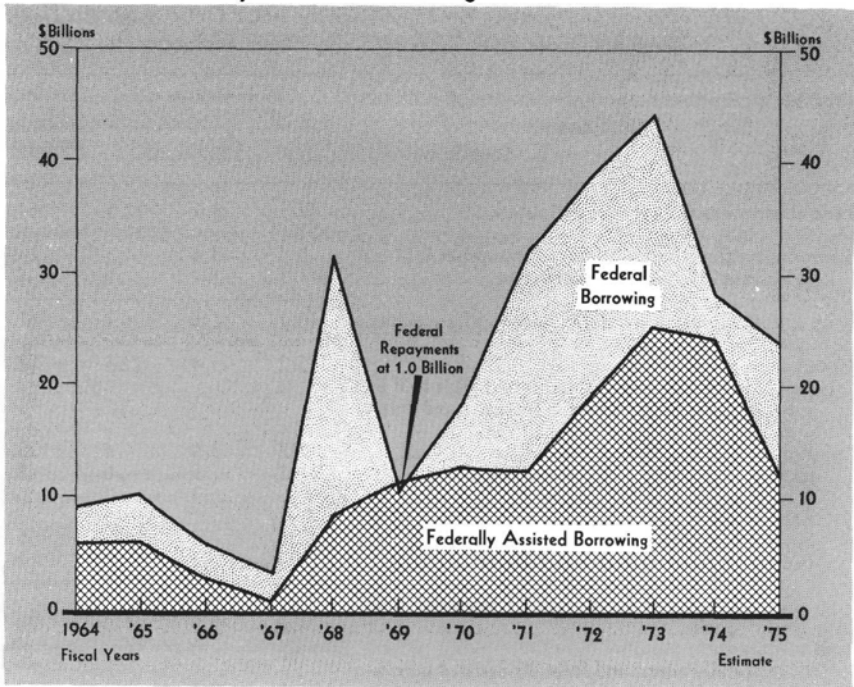
¹ See table C-1.

² See table C-8 for details and explanations.

³ The same as Government-guaranteed loans. See tables E-5 and E-8.

The following chart depicts the trends in Federal and federally assisted borrowing from the public between 1964 and 1975. The total Federal and federally assisted borrowing reached a peak at \$44.0 billion in 1973 and is expected to decline thereafter to \$28.1 billion in 1974 and \$24.2 billion in 1975. In 1974 the decline is due to a substantial decrease in Federal borrowing, while in 1975 the decline is dominated by a large drop in net Government-sponsored borrowing that exceeds the rise in Federal borrowing.

Federal and Federally Assisted Borrowing



As the chart shows, Federal and federally assisted borrowing is now substantially higher than in earlier years. Much of the increase parallels the growth in the economy and in the total funds raised by the nonfinancial sector through the sale of debt securities and other forms of borrowing and through the sale of corporate equities. However, to some extent the total Federal and federally assisted borrowing has increased as a proportion of the total funds raised. From 1960-67 to 1968-73, this proportion increased from 15% to 23%. Thus, despite the decreasing relative importance of Federal debt in total debt, Government programs since 1968 have influenced the allocation of funds raised in financial markets more than they did previously. Since 1968, however, this tendency has not increased.

SPECIAL ANALYSIS D

INVESTMENT, OPERATING, AND OTHER BUDGET OUTLAYS

This analysis divides outlays between those that are of an investment or "capital" nature and those directed to operating or "current" purposes.

To facilitate the analysis, the outlays presented in the budget are classified into three categories. Each of the major classifications is then subdivided so that civil and national defense outlays can be separately analyzed. The national defense grouping in this analysis is the same as the national defense function in the budget; the civil grouping includes all other functions. The three major categories are:

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

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

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

These three categories of outlays are summarized in Table D-1 for fiscal years 1973-1975.

- Current outlays are expected to be \$244 billion in 1975, 10% higher than the \$221 billion in 1974.
- The fastest growth by far in these outlays is in retirement and social insurance benefits, which will increase by about \$13.7 billion between 1974 and 1975.
- Investment-type outlays are expected to amount to \$76 billion in 1975, about 9% above a year earlier. As a percent of the budget total, civil investment-type outlays have remained nearly constant over the past 5 years.
- Additions to State, local, and private assets will increase by 20% from 1974 to 1975.

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

	Outlays		
	1973 actual	1974 estimate	1975 estimate
INVESTMENT-TYPE OUTLAYS			
Additions to Federal assets:			
Civil:			
Loans and other financial investments.....	0.7	2.0	2.5
Physical assets:			
Public works.....	3.3	3.6	3.9
Major commodity inventories.....	-.6	-.4	.2
Major equipment and other physical assets.....	1.0	1.2	1.0
National defense.....	18.1	17.8	19.6
Additions to State, local, and private assets:			
Civil.....	8.3	9.7	11.7
National defense.....	*	*	*
Developmental outlays:			
Civil.....	22.7	25.5	26.0
National Defense.....	9.9	10.2	10.9
Subtotal, investment type outlays:			
Civil.....	35.5	41.6	45.2
National defense.....	28.0	28.0	30.5
Total.....	63.5	69.6	75.8
CURRENT OUTLAYS			
Current expenses for aids and special services:			
Civil.....	44.6	47.9	48.4
National defense.....	2.0	3.1	3.8
Retirement and social insurance benefits—civil.....	67.8	79.1	92.8
Other services and current operating expenses:			
Civil:			
Net interest.....	17.4	21.3	22.0
Other.....	15.2	15.9	18.7
National defense.....	48.4	53.5	55.8
Allowances, Department of Defense.....	.....	.1	2.2
Allowance for civilian agency pay raises.....	.....	.....	.6
Subtotal, current outlays:			
Civil.....	144.9	164.3	182.4
National defense.....	50.3	56.7	61.8
Total.....	195.3	220.9	244.2
UNCLASSIFIED			
Intragovernmental transactions (-).....	*	*	*
Allowance for contingencies.....	.....	.3	.5
Employer share, employee retirement (-).....	-2.9	-3.5	-3.6
Proprietary receipts from the public (-):			
Civil:			
.....	-7.1	-8.5	-7.8
National defense.....	-2.3	-4.1	-4.7
Subtotal unclassified outlays:			
Civil.....	-10.1	-11.8	-10.9
National defense.....	-2.3	-4.1	-4.7
Total.....	-12.4	-16.0	-15.6
Total budget, outlays:			
Civil.....	170.5	194.1	216.7
National defense.....	76.0	80.6	87.7
Total.....	246.5	274.7	304.4

*Less than \$50 million.

Table D-2 shows civil investments and current operating outlays as a percentage of total budget outlays. The decline in this percentage from 1974 to 1975 is attributable largely to the sharp drop in farm price support payments, an expected decrease in the subsidy payment to the Postal Service, and a reduction in the number of veterans in training under the current GI bill.

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

	1971 actual	1972 actual	1973 actual	1974 esti- mate	1975 esti- mate
INVESTMENT-TYPE OUTLAYS					
Additions to Federal assets:					
Loans.....	0.7	1.3	0.2	0.5	0.6
Other financial investments.....	.1	.1	.1	.2	.2
Public works—sites and direct construction....	1.2	1.4	1.3	1.3	1.3
Major commodity inventories.....	-.3	-----	-.2	-.2	.1
Major equipment.....	.1	.1	.1	.1	*
Other physical assets—acquisition and im- provement.....	.2	.3	.3	.4	.3
Subtotal, additions to Federal assets.....	<u>2.0</u>	<u>3.2</u>	<u>1.8</u>	<u>2.3</u>	<u>2.5</u>
Additions to State, local, and private assets:					
State and local assets.....	3.1	2.9	3.0	3.2	3.5
Private assets.....	.4	.4	.4	.3	.3
Subtotal, additions to State, local, and private assets.....	<u>3.5</u>	<u>3.3</u>	<u>3.4</u>	<u>3.5</u>	<u>3.9</u>
Other development outlays:					
Education, training and health.....	5.8	6.5	6.3	6.5	5.7
Research and development.....	3.1	2.9	2.9	2.7	2.8
Engineering and natural resources surveys....	.1	.1	.1	.1	.1
Subtotal, other development outlays.....	<u>8.9</u>	<u>9.5</u>	<u>9.2</u>	<u>9.3</u>	<u>8.6</u>
Total, investment-type outlays.....	<u>14.5</u>	<u>15.9</u>	<u>14.4</u>	<u>15.1</u>	<u>14.8</u>

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

	1971 actual	1972 actual	1973 actual	1974 esti- mate	1975 esti- mate
CURRENT OUTLAYS					
Current expenses for aids and special services:					
Agriculture.....	2.3	1.8	2.2	1.0	.4
Business.....	1.0	1.1	1.3	1.2	1.0
Labor.....	.5	.5	.6	.6	.5
Homeowners and tenants.....	.1	.3	.6	.6	.7
Veterans.....	4.7	4.8	5.1	5.0	4.5
International aids.....	.6	.8	.6	.5	.4
Welfare aids.....	4.5	5.4	5.3	5.7	6.0
Other aids and special services.....	2.5	2.3	2.4	2.9	2.3
Subtotal, current expenses for aids and special services.....	16.2	17.1	18.1	17.5	15.9
Retirement and social insurance benefits:					
Insurance benefits.....	20.8	21.2	23.9	24.9	26.1
Unemployment benefits.....	2.5	2.6	1.8	1.7	2.0
Other retirement and social insurance benefits..	1.2	1.6	1.8	2.2	2.4
Subtotal, retirement and social insurance benefits.....	24.4	25.4	27.5	28.8	30.5
Other services and current operating expenses:					
Repair, maintenance and operation of physical assets (excluding special services).....	.5	.5	.6	.5	.6
Regulation and control.....	.8	1.0	.9	1.0	1.1
Other operation and administration.....	2.2	1.9	4.6	4.2	4.5
Net interest.....	7.2	6.9	7.1	7.8	7.2
Allowance for civilian agency pay raises.....					.2
Subtotal, other services and current operat- ing expenses.....	10.6	10.3	13.2	13.5	13.6
Total, current outlays.....	51.3	52.8	58.8	59.8	59.9
Total, civil investments and current operating out- lays.....	65.8	68.8	73.3	75.0	74.6
Unclassified civil offsets.....	-2.5	-2.6	-4.1	-4.3	-3.4
Net civil outlays.....	63.3	66.2	69.2	70.7	71.2

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 portion of civil outlays is \$45.2 billion, approximately 15% of the budget. Defense investments are \$30.5 billion, 10% of the 1975 budget.

Additions to Federal assets.—This category comprises additions to both financial and physical assets of the Federal Government. Civil Federal assets in 1975 increased by \$7.6 billion, increasing by \$1.2 billion, or 19% over the 1974 increase. Investment in defense assets in 1975 is planned to be \$19.6 billion, an increase of \$1.8 billion and an increase of 10% over the 1974 investment.

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. Other financial investments include the capital provided for certain international organizations such as the World Bank.

Civil loans and financial assets are estimated to increase \$2.5 billion and represent 0.8% of the 1975 budget. Loans are expected to increase by \$0.4 billion. Special Analysis E discusses financial investments in greater detail. Additions to physical assets include outlays for public works, such as dam construction, flood control projects, Federal power systems, changes in major commodity inventories, and outlays for major equipment (including military equipment) and for the acquisition and improvements of real property and other physical assets.

Additions to civil physical assets are \$5.1 billion in 1975, an increase of \$0.7 billion over 1974. The major change is in outlays for major commodity inventories which are expected to increase \$0.6 billion (from —\$0.4 billion in 1974 to \$0.2 billion in 1975).

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

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

Civil additions to State, local, and private assets in 1975 will be \$11.7 billion, an increase of \$2.0 billion, primarily in Federal environmental construction grants. The rate of increase from 1974 to 1975 is about 21%.

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

Civil developmental outlays are \$26.0 billion, an increase of \$0.5 billion from 1974. This includes the \$0.5 billion contingency for accelerated energy research and development.

Civil outlays for education, training, and health are \$17.3 billion in 1975. This amount is 6% of 1975 outlays.

Current civil outlays for research and development are \$8.4 billion in 1975 and reflect an increase of \$0.9 billion from the 1974 level. An allowance for accelerated energy research and development accounts for nearly \$0.5 billion of the increase in 1975. The rate of increase in 1975 is 12% over 1974 most of which is the allowance for accelerated energy research and development.

OUTLAYS OF A CURRENT NATURE

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

Current outlays for civil functions are \$182.4 billion, an increase of \$18.1 billion from 1974. The rate of increase will drop from 13% in 1974 to 11% in 1975. Current outlays for military functions are \$61.8 billion, an increase of \$5.2 billion from 1974. The rate of increase will decline from 13% in 1974 to 9% in 1975.

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

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

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

Aids to Agriculture are expected to continue to decline reaching \$1.1 billion in 1975, a decrease of \$1.7 billion from 1974. This decline is largely due to decreases in price support and related programs.

The increase in welfare is expected to slow from an annual rate of 22% and an increase of \$2.8 billion in 1974, to a rate of 15% and an increase of only \$2.4 billion in 1975.

Retirement and social insurance benefits.—This category applies only to trust funds. It covers benefit programs that are financed from special taxes or contributions and provide insurance against the loss of income due to unemployment, retirement, disability, or death. It does not include outlays for Government employees' health and life insurance programs, which are in the form of premium payments to approved companies and are included with "other services and current operating outlays."

A large part of the growth in retirement and social insurance benefits is the result of a growing number of recipients as well as recently legislated increases. Outlays for these benefits are expected to increase 17% in 1975, to \$92.8 billion. These benefits will be 30% of the budget in 1975.

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

These outlays are expected to increase by \$5.8 billion and will reach \$96.5 billion in 1975. Revenue sharing accounts for the large 1972 increase in this category. Shared revenues and grants-in-aid increase by nearly \$2.6 billion in 1975.

UNCLASSIFIED

Certain transactions cannot be properly classified into any of the categories described above. A major example of such transactions is the special allowance for unforeseeable contingencies.

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 intragovernmental receipts are allocated to a particular category whenever possible. For example, interest received by the social security and other trust funds is deducted from the Interest category in order to derive a measure of interest paid to the public. In addition, Government agency contributions for employee retirement, which help to finance retirement benefits, are deducted as a lump-sum unclassified amount.

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

RELATIONSHIP TO CAPITAL BUDGET

The U.S. Government does not produce a capital budget in the sense of a long-range program for the acquisition of assets, with separate financing of capital outlays. Some foreign governments and

some State and local governments fund a portion of their capital expenditures by separate borrowing. They exclude most or all such expenditures from their computation of budget totals, except for annual charges to amortize these capital outlays over a number of years.

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

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

Whether recovered by specific receipts or not, investment and developmental outlays for both physical and human capital add to the wealth and income of the Nation, and by helping to expand the tax base, augment the Government's potential future receipts. However, this analysis does not attempt to measure the degree of recoverability of developmental outlays, the potential gain in public receipts that will be forthcoming, or the duration of future benefits and their discounted present value.

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays			
ADDITIONS TO FEDERAL ASSETS			
Loans:			
Civil:			
To domestic and private borrowers:			
Department of Agriculture:			
Commodity Credit Corporation: Price support and related programs	-348	-813	196
Rural Electrification Administration	519		

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Loans—Continued			
Civil—Continued			
To domestic and private borrowers—Continued			
Department of Agriculture—Continued			
Farmers Home Administration:			
Rural housing insurance.....	-228	64	-369
Agricultural credit insurance.....	-198	35	-121
Rural development insurance.....	-229	48	-48
Other ¹	-51	-7	-6
Soil Conservation Service.....	*	*	-----
Department of Commerce: Economic Development Administration and other.....	27	31	17
Department of Health, Education, and Welfare:			
Health Resources Administration.....	60	62	55
Office of Education:			
Higher education.....	230	250	232
Other.....	41	79	110
Social and Rehabilitation Service.....	3	2	2
Department of Housing and Urban Development:			
Housing Production and Mortgage Credit: Federal Housing Administration and Government Mortgage Association:			
Federal Housing Administration fund.....	347	414	488
Special assistance functions.....	-462	-376	-388
Management and liquidating functions and other.....	-831	-92	-219
Community planning and development and other.....	28	55	-2
Veterans Administration:			
Loan guaranty revolving fund.....	-185	-143	-101
Direct loans.....	-236	-103	-83
Other ¹	21	21	21
Small Business Administration			
Business loans and investment.....	46	101	147
Disaster loans.....	644	202	149
Other agencies.....	12	45	14
Total to domestic and private borrowers.....	-791	-124	93
To State and local governments:			
Department of Housing and Urban Development: Community planning and development and other.....	-29	-22	-49
Department of Transportation: Right-of-way trust revolving fund and other.....	63	50	46
District of Columbia.....	176	270	253
Other agencies.....	33	43	6
Total to State and local governments.....	242	342	256
To foreign borrowers:			
Funds appropriated to the President: International development assistance.....	512	579	880
Department of Agriculture: Public Law 480 credit sales.....	451	641	630
Other agencies.....	-3	-3	-3
Total to foreign borrowers.....	960	1,217	1,506
Total loans, civil.....	411	1,435	1,856

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Loans—Continued			
National defense: To domestic and private borrowers: Other agencies.....	-4	-1	-1
To foreign borrowers:			
Funds appropriated to the President: International security assistance:			
Foreign military credit sales (and liquidation of the fund)	350	197	201
Military credit sales to Israel and emergency security assistance for Israel.....	123	682	666
Atomic Energy Commission.....	-6	1	-4
Total, to foreign borrowers.....	468	880	864
Total loans, national defense.....	464	878	863
Total, loans.....	875	2,313	2,719
Other financial investments—civil:			
Investments in quasi-public institutions, trust funds, and international institutions: Funds appropriated to the President:			
International financial institutions.....	324	533	609
Public works—sites and direct construction:			
Civil:			
Department of Agriculture:			
Forest Service:			
Forest roads and trails.....	96	89	77
Other ¹	74	109	88
Other.....	5	5	7
Department of Defense—Civil:			
Corps of Engineers:			
Construction, general.....	942	913	935
Flood control, and other ¹	76	100	119
Other ¹	7	16	23
Department of Health, Education, and Welfare:			
Indian health and other health services.....	31	65	71
National Institutes of Health.....	27	58	72
Other ¹	25	39	44
Department of the Interior:			
Bureau of Reclamation:			
Construction and rehabilitation.....	232	198	247
Colorado River Basin project and other ¹	79	102	85
National Park Service: Construction and other ¹	29	76	82
Office of Coal Research ¹	14	51	43
Bonneville Power Administration: Construction.....	82	90	99
Bureau of Indian Affairs: Construction of schools and roads.....	80	112	136
Other.....	19	31	24
Department of Justice: Federal Prison buildings and facilities and other.....	15	54	20
Department of Transportation:			
Federal Aviation Administration: Airway system investment and development (Airport and airway trust fund).....	315	253	303
Other.....	59	62	76

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Public works—sites and direct construction—Continued			
Civil—Continued			
General Services Administration: Public buildings.....	249	256	240
National Aeronautics and Space Administration: Construction of facilities.....	45	75	102
Veterans Administration: Hospitals and other.....	96	122	182
Postal Service.....	230	-----	-----
Tennessee Valley Authority.....	461	571	690
Other agencies.....	39	135	145
Total public works, civil.....	3,325	3,582	3,908
National defense:			
Department of Defense—Military:			
Military construction.....	1,019	1,187	1,416
Other.....	2	1	*
Atomic Energy Commission.....	262	436	491
Total, public works, national defense.....	1,283	1,624	1,908
Total public works—sites and direct construction.....	4,608	5,206	5,816
Major commodity inventories:			
Civil:			
Department of Agriculture: Commodity Credit Corporation:			
Agricultural commodities.....	-611	-449	157
Other agencies.....	12	8	3
Total major commodity inventories, civil.....	-599	-441	160
National defense:			
Funds appropriated to the President: Expansion of Defense			
Production.....	71	-134	-49
Other agencies.....	17	39	3
Intragovernmental transactions (-).....	-1	-----	-----
Total major commodity inventories, national defense.....	87	-95	-46
Total major commodity inventories.....	-512	-536	114
Major equipment:			
Civil:			
Department of Transportation: Coast Guard and other ¹	68	103	100
Postal Service.....	93	-----	-----
Other agencies ¹	32	38	48
Total major equipment, civil.....	194	141	148
National defense:			
Department of Defense—Military: Procurement.....	15,654	15,144	16,359
Atomic Energy Commission.....	163	170	194
Total major equipment, national defense.....	15,818	15,314	16,552
Total major equipment.....	16,012	15,455	16,700

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays—Continued			
ADDITIONS TO FEDERAL ASSETS—Continued			
Other physical assets—acquisition and improvement:			
Civil:			
Department of Agriculture: Reforestation and range improvements and other ¹	66	83	91
Department of Housing and Urban Development: Housing production and mortgage credit.....	621	852	618
Department of the Interior:			
Land and water conservation.....	93	110	89
Other.....	24	29	33
Other agencies.....	4	-4	-4
Total other physical assets, civil.....	808	1,070	827
National defense: Atomic Energy Commission.....	393	67	367
Total other physical assets—acquisition and improvement..	1,201	1,138	1,194
Total additions to Federal assets.....	22,507	24,108	27,151
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS			
State and local assets:			
Civil:			
Funds appropriated to the President:			
Appalachian regional development programs.....	215	229	253
Other.....	*	1	-----
Department of Agriculture:			
Rural water and waste disposal grants and other.....	53	70	55
Watershed and flood prevention operations.....	79	120	101
Department of Commerce: Economic development facilities and other.....			
	192	193	226
Department of Health, Education, and Welfare:			
Health resources.....	191	261	330
Higher education and other education.....	120	69	46
Other.....	30	27	32
Department of Housing and Urban Development:			
Grants for basic water and sewer facilities.....	157	160	160
Open space land programs.....	61	69	70
Grants for neighborhood facilities.....	27	35	35
New community assistance.....	*	2	4
Department of the Interior:			
Land and water conservation.....	107	160	160
Sport fisheries and wildlife and other.....	72	78	77
Department of Justice: Law enforcement assistance.....	56	98	102
Department of Transportation:			
Grants-in-aid for airports (Airport and airway trust fund).....	232	234	290
Federal Highway Administration:			
Federal-aid highways (trust fund).....	4,589	4,382	4,554
Other ¹	52	51	54
Urban Mass Transportation.....	287	403	586
National Highway Traffic Safety.....	3	1	-----
Environmental Protection Agency: Construction grants.....	684	2,000	3,350

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays—Continued			
ADDITIONS TO STATE, LOCAL, AND PRIVATE ASSETS—Continued			
State and local assets—Continued			
Civil—Continued			
Washington Metropolitan Area Transit Authority.....	76	183	184
Other agencies ¹	4	8	8
Intragovernmental transactions (—).....		—2	
Total State and local assets, civil.....	7,288	8,833	10,676
National defense: Department of Defense—Military.....	31	18	18
Total State and local assets.....	7,319	8,852	10,694
Private assets:			
Civil:			
Department of Agriculture:			
Rural environmental assistance.....	163	23	139
Cropland adjustment program.....	51	50	49
Conservation operations.....	150	172	192
Other.....	61	118	27
Department of Commerce: Ship construction.....	186	200	283
Department of Health, Education, and Welfare:			
Health resources.....	190	220	225
Office of Education.....	68	40	27
Other.....	39	34	19
Other agencies.....	48	56	60
Total private assets, civil.....	955	913	1,020
National defense: Atomic Energy Commission.....	*	*	*
Total private assets.....	956	913	1,020
Total additions to State, local and private assets.....	8,275	9,765	11,714
OTHER DEVELOPMENTAL EXPENDITURES			
Education, training, and health:			
Civil:			
Funds appropriated to the President:			
Appalachian regional development programs.....	39	44	53
Economic opportunity program.....	157	52	
Department of Agriculture: Extension Service and other.....	189	215	217
Department of Health, Education, and Welfare:			
Health services.....	569	724	778
Indian health.....	54	63	73
Preventive health services.....	101	130	101
National Institutes of Health.....	171	186	193
Alcohol, drug abuse, and mental health.....	313	437	593
Health resources.....	468	536	398
Elementary and secondary education.....	1,820	2,062	684
School assistance in federally affected areas.....	561	519	458
Emergency school assistance.....	41	193	233
Education for the handicapped.....	93	88	107

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Con.			
Education, training, and health—Continued			
Civil—Continued			
Department of Health, Education, and Welfare—Continued			
Occupational, vocational, and adult education.....	558	538	291
Higher education.....	993	1,197	1,610
Library resources.....	80	200	125
Educational development.....	191	229	144
Other education.....	89	137	173
Public assistance.....	4,676	5,912	6,586
Rehabilitation services.....	680	751	778
Federal disability insurance and old-age and survivors insurance trust funds.....	41	65	80
Supplemental security income program.....	69	84	95
Howard University and other special institutions.....	364	387	412
Human development.....	14	15	54
Other.....	14	15	54
Department of the Interior: Operation of Indian programs and other.....	114	138	142
Department of Justice: Law Enforcement Assistance and other.....	78	111	126
Department of Labor:			
Comprehensive manpower assistance.....	1,405	1,435	1,955
Emergency employment assistance.....	1,002	617	---
Program administration.....	57	61	59
Veterans Administration: Medical care and other.....	139	162	197
Action.....	78	101	108
Corporation for Public Broadcasting.....	35	50	60
National Foundation on the Arts and the Humanities ¹	67	95	164
National Science Foundation.....	111	95	87
Smithsonian Institution ¹	37	48	55
Other agencies.....	67	68	88
Total education, training, and health, civil.....	15,521	17,787	17,331
National defense: Atomic Energy Commission and other agencies.....	14	13	13
Total education, training, and health.....	15,535	17,800	17,344
Research and development:			
Civil:			
Funds appropriated to the President: Economic opportunity program and other.....	68	36	34
Department of Agriculture:			
Agricultural Research Service ¹	194	216	229
Cooperative State Research Service ¹	82	90	96
Forest Service ¹	55	61	65
Other ¹	17	22	23
Department of Commerce:			
National Oceanic and Atmospheric Administration.....	111	117	126
Other.....	69	75	106

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Investment-type outlays—Continued			
OTHER DEVELOPMENTAL EXPENDITURES—Con.			
Research and development—Continued			
Civil—Continued			
Department of Health, Education, and Welfare:			
National Institutes of Health.....	1,318	1,648	1,777
Alcohol, drug abuse, and mental health.....	183	132	132
Health resources.....	65	57	70
Office of Education.....	93	60	51
National Institute of Education.....	36	96	113
Social and Rehabilitation Service.....	64	58	47
Other ¹	105	138	154
Department of Housing and Urban Development: Policy development and research and other.....	50	64	75
Department of the Interior: Mines and minerals, geological surveys and other ¹	229	274	324
Department of Justice.....	24	46	56
Department of Transportation:			
Federal Aviation Administration ¹	101	128	117
National Highway Traffic Safety Administration.....	35	50	31
Urban Mass Transportation Administration.....	67	62	82
Other ¹	96	125	137
Environmental Protection Agency.....	144	181	182
National Aeronautics and Space Administration ¹	3,280	3,139	3,196
Veterans Administration.....	76	85	94
National Science Foundation ¹	432	457	494
Postal Service.....	56	-----	-----
Other agencies ¹	80	92	101
Acceleration of energy research and development.....	-----	-----	461
Total research and development, civil.....	7,129	7,508	8,373
National defense:			
Department of Defense—Military:			
Military personnel.....	366	380	397
Research, development, test, and evaluation.....	8,157	8,414	8,890
Other.....	6	9	10
Atomic Energy Commission.....	1,361	1,429	1,586
Total research and development, national defense.....	9,890	10,231	10,883
Total research and development.....	17,020	17,740	19,256
Engineering and natural resources surveys—civil:			
Department of Defense:			
Corps of Engineers—Civil.....	42	48	50
The Panama Canal.....	1	1	1
Department of the Interior:			
Geological Survey.....	61	81	99
Other ¹	48	49	98
Other agencies ¹	68	81	86
Intragovernmental transactions (—).....	—25	—30	—19
Total engineering and natural resources surveys—civil.....	195	232	314
Total other developmental expenditures.....	32,750	35,772	36,914
Total investment-type outlays.....	63,531	69,645	75,780

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES			
Agriculture—civil:			
Department of Agriculture:			
Agricultural Stabilization and Conservation Service: Expenses and other.....	171	167	172
Sugar Act program.....	87	91	92
Commodity Credit Corporation:			
Price support and related programs.....	4,271	1,947	248
Other.....	74	114	3
Farmers Home Administration:			
Salaries and expenses and other ¹	124	145	155
Rural housing insurance.....	-4	95	138
Agricultural credit insurance.....	392	101	83
Agricultural Marketing Service ¹	60	75	80
Other ¹	100	130	151
Department of Housing and Urban Development: Disaster assistance and other.....			
	51	-57	-2
Other agencies.....	5	6	9
Total agriculture.....	5,331	2,814	1,130
Business—civil:			
Department of Commerce:			
Social and economic statistics.....	43	58	62
Domestic and international business operations and administration ¹	43	61	64
Minority business development.....	38	52	54
Scientific and technical research and information products and services ¹	69	79	81
Maritime operating-differential subsidies and other.....	235	266	245
Other ¹	43	47	53
Department of Defense—Civil:			
Corps of Engineers.....	226	288	281
The Panama Canal.....	-13	-7	-18
Department of Transportation:			
Office of the Secretary: Railroad reorganization interim operating assistance and other.....	1	50	35
Coast Guard: Navigation aids and other ¹	494	513	544
Federal Aviation Administration: Operations and other ¹	1,090	1,176	1,271
Federal Railroad Administration: Grants to National Railroad Passenger Corporation and other.....	109	159	147
National Transportation Safety Board.....	7	8	9
Civil Aeronautics Board: Payments to air carriers.....	72	67	66
Small Business Administration:			
Disaster loan fund.....	503	371	87
Business loans and investments and other.....	134	88	100
Other agencies ¹	17	25	35
Intragovernmental transactions (-).....	-21	-24	-24
Total business.....	3,090	3,277	3,093

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Labor—civil:			
Department of Health, Education, and Welfare: Work incentives.....	192	215	220
Department of the Interior: Mining enforcement and safety.....	53	55	71
Department of Labor:			
Comprehensive manpower assistance.....	52	28	24
Grants to States for unemployment insurance and employment services.....	64	64	64
Unemployment trust fund.....	874	878	908
Other.....	28	70	38
Employment standards.....	52	62	73
Occupational safety and health.....	37	69	98
Labor statistics ¹	43	48	51
Departmental management.....	19	26	31
Equal Employment Opportunity Commission.....	28	41	53
Occupational Safety and Health Review Commission.....	4	5	6
Intragovernmental transactions (—).....	-1	-2	-2
Total labor.....	1,446	1,558	1,634
Homeowners and tenants—civil:			
Department of Housing and Urban Development:			
Housing Production and Mortgage Credit:			
Federal Housing Administration.....	-136	-180	-136
Special assistance functions.....	261	228	386
Management and liquidating functions.....	80	5	25
Other.....	-28	-39	-4
Housing management:			
Housing payments.....	1,602	1,877	2,245
Other.....	16	18	39
Other.....	12	18	39
Federal Home Loan Bank Board.....	-207	-324	-335
Other agencies.....	*	2	1
Total homeowners and tenants.....	1,602	1,606	2,261
Veterans—civil:			
Department of Health, Education, and Welfare: Payments to social security trust funds.....	237	239	240
Veterans Administration:			
Compensation and pensions.....	6,544	6,629	6,885
Readjustment benefits.....	2,751	3,246	2,878
Medical care.....	2,374	2,694	2,898
General operating expenses.....	314	346	401
National service life insurance trust fund.....	502	586	608
Other ¹	54	81	85
Other agencies ¹	63	61	15
Intragovernmental transactions (—).....	-261	-264	-246
Total veterans.....	12,578	13,619	13,765

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
International aids:			
Civil:			
Funds appropriated to the President:			
International security assistance.....	645	117	118
Indochina post war reconstruction assistance.....	494	493	648
International development assistance ¹	494	532	226
Contingencies.....	11	24	27
Department of Agriculture: Public Law 480 donations of agricultural commodities.....	303	155	112
Action ¹	74	78	84
Other agencies ¹	55	72	59
Intragovernmental transactions (-).....	-50	-50	-50
Total international aids, civil.....	1,532	1,422	1,223
National defense:			
Funds appropriated to the President: International security assistance ¹			
	1,877	2,967	3,743
Department of Defense—Military: Military construction.....	75	102	73
Total international aids; national defense.....	1,951	3,069	3,816
Total international aids.....	3,483	4,491	5,039
Welfare aids—civil:			
Funds appropriated to the President: Disaster relief.....			
	358	450	250
Department of Agriculture:			
Commodity Credit Corporation: Price support and related programs.....	244	224	157
Funds for strengthening markets, income, and supply.....	735	864	351
Child nutrition programs.....	602	820	1,269
Special milk program.....	91	94	120
Food stamp program.....	2,208	2,992	3,926
Department of Health, Education, and Welfare:			
Social and Rehabilitation Service:			
Public assistance.....	7,459	7,046	6,348
Work incentives.....	89	95	97
Rehabilitation services.....	53	181	174
Assistance to refugees in the United States.....	119	113	60
Other services.....	52	71	71
Social Security Administration:			
Special benefits for disabled coal miners.....	915	956	869
Supplemental security income program.....	-----	1,803	4,323
Assistant Secretary for Human Development: Human development.....	-----	-----	79
Department of the Interior: Operation of Indian programs.....	61	71	76
Total welfare aids.....	12,985	15,780	18,171

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
CURRENT EXPENSES FOR AIDS AND SPECIAL SERVICES—Continued			
Other aids and special services—civil:			
Funds appropriated to the President:			
Appalachian regional development programs	10	19	25
Economic opportunity program	593	543	223
Department of Commerce: Economic development and other ¹ ..	96	98	95
Department of Health, Education, and Welfare:			
Health Services Administration:			
Health services	93	105	109
Indian health	116	135	152
Alcohol, Drug Abuse, and Mental Health Administration	89	92	72
Social Security Administration:			
Payments to social security trust funds	2,149	2,762	3,105
Supplemental security income program	41	349	393
Federal old-age and survivors insurance trust fund	654	721	758
Federal disability insurance trust fund	242	155	226
Federal hospital insurance trust fund	189	303	326
Federal supplementary medical insurance trust fund	240	435	436
Other	37	42	10
Office of the Secretary: Departmental management and other ..	55	121	150
Other	60	62	79
Department of Housing and Urban Development:			
Community planning and development: Comprehensive planning grants			
	74	106	118
Model cities programs	590	590	220
Urban renewal fund	1,018	1,150	1,150
Other	32	34	34
Departmental management and other	30	50	65
Department of the Interior:			
Bureau of Indian Affairs:			
Operation of Indian programs	201	199	295
Miscellaneous appropriations and other	60	78	79
Miscellaneous trust funds	197	331	230
Other ¹	24	9	9
Department of Transportation:			
Federal Highway Administration: Federal-aid highways and other trust funds			
	115	139	149
National Highway Traffic Safety Administration ¹	102	139	144
Other	38	45	53
Postal Service	1,188	1,999	1,553
Other agencies ¹	76	78	118
Intragovernmental transactions (-)	-2,377	-3,019	-3,300
Total other aids and special services	6,029	7,869	7,074
Total current expenses for aids and special services	46,544	51,012	52,166

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
RETIREMENT AND SOCIAL INSURANCE BENEFITS			
Insurance benefits—civil:			
Department of Health, Education, and Welfare: Social Security Administration:			
Federal old-age and survivors insurance trust fund.....	42,170	48,118	55,802
Federal disability insurance trust fund.....	5,162	6,180	7,462
Federal hospital insurance trust fund.....	6,648	8,465	9,831
Federal supplementary medical insurance trust fund.....	2,391	2,966	3,586
Social Security trust funds.....			-345
Department of Labor: Manpower Administration: Unemployment trust fund.....	73	70	67
Railroad Retirement Board (trust fund).....	2,419	2,658	2,974
Total insurance benefits.....	58,863	68,457	79,377
Unemployment benefits—civil:			
Department of Labor: Manpower Administration:			
Unemployment trust fund.....	4,405	4,652	6,126
Other retirement and social insurance benefits—civil:			
Civil Service Commission: Civil service retirement and disability fund.....			
Other agencies (trust funds).....	4,523	5,950	7,245
Intragovernmental transactions (-).....	32	39	46
	-6	-11	-22
Total other retirement and social insurance benefits.....	4,549	5,978	7,268
Total, retirement and social insurance benefits.....	67,817	79,087	92,771
OTHER SERVICES AND CURRENT OPERATING EXPENSES			
Repair, maintenance, and operation of physical assets:			
Civil:			
Department of Agriculture: Forest Service ¹	309	373	303
Department of Defense—Civil:			
Corps of Engineers—Civil.....	351	182	189
Miscellaneous accounts.....	1	1	1
Department of the Interior:			
Bureau of Land Management ¹	99	122	120
Bureau of Reclamation.....	93	104	116
National Park Service ¹	159	205	219
Other.....	60	80	82
General Services Administration: Public buildings.....	490	559	956
Tennessee Valley Authority.....	-167	-235	-329
Other agencies ¹	80	110	110
Intragovernmental transactions (-).....	*		
Total repair, maintenance, and operation of physical assets, civil.....	1,473	1,500	1,766

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Repair, maintenance, and operation of physical assets—Continued			
National defense:			
Department of Defense—Military:			
Operation and maintenance	21,024	23,257	24,863
Naval petroleum reserve			18
Atomic Energy Commission	203	210	232
General Services Administration	2	1	
Total repair, maintenance, and operation of physical assets, national defense	21,228	23,467	25,113
Total repair, maintenance, and operation of physical assets	22,701	24,967	26,879
Regulation and control—civil:			
The Judiciary ¹	188	212	310
Department of Agriculture: Animal and Plant Health Inspec- tion Service and other ¹	323	328	349
Department of Health, Education, and Welfare: Food and Drug Administration and other	118	140	156
Department of Justice:			
General administration	12	18	22
Legal activities	161	187	217
Federal Bureau of Investigation	347	374	411
Immigration and Naturalization Service	137	154	178
Federal Prison System ¹	113	133	157
Law Enforcement Assistance Administration	470	616	663
Drug Enforcement Administration	74	105	130
Department of Transportation:			
Coast Guard	76	85	100
Federal Aviation Administration ¹	84	82	87
Other	6	9	17
Department of the Treasury:			
Bureau of Alcohol, Tobacco and Firearms	70	81	95
Customs Service ¹	57	56	60
Internal Revenue Service	56	65	82
Secret Service	66	68	80
Other ¹	-4	3	6
Environmental Protection Agency ¹	184	247	297
Federal Deposit Insurance Corporation (trust revolving fund) ..	-538	-558	-565
National Labor Relations Board	48	56	62
Other agencies ¹	219	286	320
Total regulation and control	2,267	2,749	3,235

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration:			
Civil:			
International activities:			
Department of State:			
Administration of foreign affairs ¹	260	323	366
International organizations and conferences ¹	185	227	233
Educational exchange and other ¹	45	52	57
Board for International Broadcasting.....	39	51	50
United States Information Agency ¹	205	218	242
Other agencies.....	8	16	19
Total international activities.....	741	886	966
Federal financial activities:			
Legislative Branch: General Accounting Office and other ..	101	117	135
Department of the Treasury:			
Bureau of Accounts.....	63	78	87
Customs Service.....	158	201	237
Bureau of the Public Debt.....	72	79	89
Internal Revenue Service.....	1,089	1,221	1,473
Other.....	49	59	74
Other agencies.....	27	3	10
Total Federal financial activities.....	1,559	1,758	2,106
Other direct Federal programs:			
Legislative branch ¹	405	468	519
Executive Office of the President.....	48	111	119
Funds appropriated to the President.....	27	83	36
Department of Commerce: National Oceanic and Atmos- pheric Administration and other ¹	186	229	243
Department of Defense—Civil:			
Corps of Engineers.....	31	36	39
The Panama Canal.....	56	60	63
Department of the Interior:			
Fuel allocation, oil and gas programs.....	2	53	66
Other.....	73	85	104
Department of the Treasury: Bureau of Accounts ¹	86	154	176
Environmental Protection Agency.....	84	111	133
General Services Administration ¹	166	116	-1,080
Civil Service Commission:			
Payment to civil service retirement and disability fund ..	-----	292	-----
Employees life insurance fund.....	-151	-205	-229
Other ¹	97	88	84
Other agencies ¹	25	35	53
Total other direct Federal programs.....	1,134	1,715	327
Retirement, unemployment, and accident compensation for Federal employees:			
Department of Labor:			
Federal unemployment benefits and allowances.....	374	322	331
Employment Standards Administration: Special benefits.....	102	138	165

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Other operation and administration—Continued			
Civil—Continued			
Retirement, unemployment, and accident compensation for Federal employees—Continued			
Department of Transportation: Coast Guard: Retired pay.....	76	87	96
Civil Service Commission: Special payments and annuities.....	1,899	2,200	3,072
Other agencies.....	31	57	66
Intragovernmental transactions (—).....	-1,775	-2,403	-2,931
Total retirement, unemployment, and accident compensation for Federal employees.....	708	402	799
Shared revenues and grants-in-aid:			
Department of Agriculture: Forest Service.....	86	115	102
Department of Health, Education, and Welfare: Consolidated education grants.....			1,910
Department of Housing and Urban Development: Better Communities Act.....			560
Department of the Interior: Land management, territorial affairs, and other.....	174	184	205
Department of the Treasury:			
Customs Service.....	77	88	94
Internal Revenue Service.....	109	116	116
State and local government fiscal assistance.....	6,636	6,147	6,174
District of Columbia.....	182	190	232
Other agencies.....	37	41	64
Total shared revenues and grants-in-aid.....	7,300	6,882	9,457
Total other operation and administration, civil.....	11,443	11,643	13,655
National defense:			
Department of Defense—Military:			
Military personnel.....	22,879	23,701	24,031
Retired military personnel.....	4,390	5,145	5,685
Operation and maintenance.....	45	49	54
Family housing.....	729	966	1,089
Civil defense.....	66	71	76
Revolving and management funds.....	-1,030	6	-273
Other ¹	-2	19	6
Selective Service System.....	79	68	47
Other agencies ¹	8	10	11
Intragovernmental transactions (—).....	-8	-6	-6
Total other operation and administration, national defense.....	27,157	30,029	30,719
Total other operation and administration.....	38,600	41,672	44,374

See footnotes at end of table.

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

Description	1973 actual	1974 estimate	1975 estimate
Current outlays—Continued			
OTHER SERVICES AND CURRENT OPERATING EXPENSES—Continued			
Interest:			
On public debt.....	24,167	29,100	30,500
Other interest:			
On refunds: Department of the Treasury.....	175	183	206
On uninvested funds: Department of the Treasury.....	6	5	5
Other agencies ¹	3	1	9
Intragovernmental transactions (-).....	*	*	*
Total other interest.....	185	189	221
Intragovernmental transactions (-):			
Interest on Government capital in enterprises (-).....	-1,149	-1,175	-1,194
Interest received by trust funds (-).....	-5,436	-6,420	-7,140
Trust intrafund transactions (-).....	*		
Receipts from off-budget Federal agencies: Interest on Govern- ment capital in enterprises (-)			
	-73	-124	-147
Proprietary receipts from the public (-)			
	-311	-235	-249
Total net interest.....	17,383	21,335	21,991
Total other services and current operating expenses.....	80,951	90,723	96,479
National defense allowances:			
Civilian and military pay raises.....			1,942
All-volunteer force.....		62	151
Military retirement systems reform.....		13	55
Other legislation.....		22	34
Total national defense allowances.....		97	2,183
Allowances for civilian agency pay raises.....			600
Total current outlays.....	195,312	220,920	244,198
UNCLASSIFIED			
Payments to other funds ¹	*	*	*
Allowance for contingencies.....		300	500
Employer share, employee retirement:			
Interfund transactions.....	-2,927	-2,682	-2,840
Receipts from off-budget Federal agencies.....		-861	-737
Proprietary receipts from the public (-).....	-9,391	-12,662	-12,458
Total budget outlays.....	246,526	274,660	304,445

*Less than \$500 thousand.

¹ Includes both Federal funds and trust funds.

SPECIAL ANALYSIS E

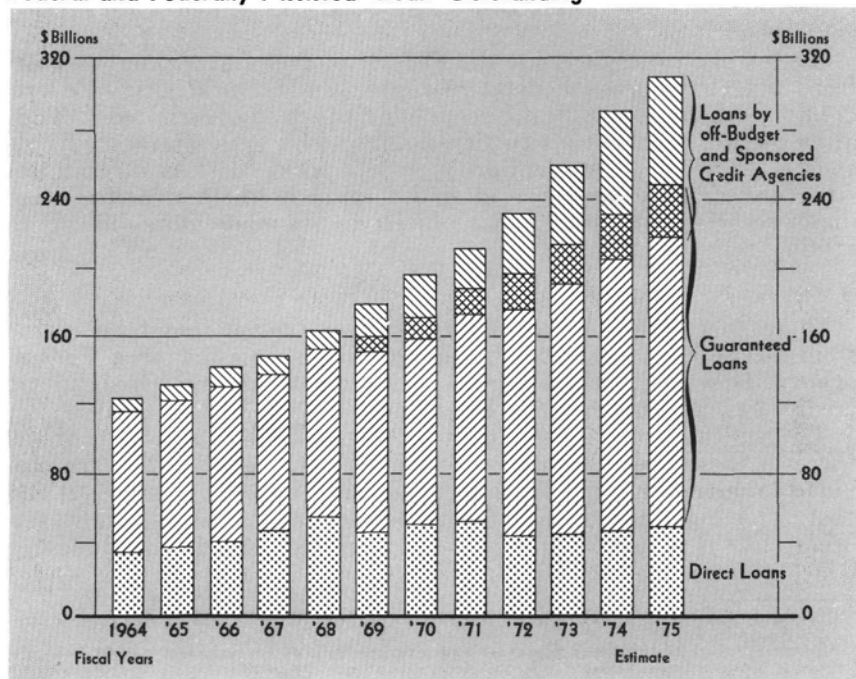
FEDERAL CREDIT PROGRAMS

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

This analysis focuses on these credit aids as a unique class of Federal fiscal activity—some of it within the Federal budget, but substantially more of it outside. The analysis:

- Pulls together in one place all of the major credit activities of the Federal Government.
- Summarizes the expected 1973 to 1975 trends of the several forms of Federal credit programs, and discusses their historical growth.
- Indicates the relationship between credit programs and the budget.
- Discusses some characteristic differences of direct loan transactions from other Federal expenditures.
- Identifies and tabulates Federal loan guarantee activity which is outside the budget.
- Provides measures of the credit transactions of off-budget credit agencies owned or sponsored by the Government.
- Identifies and estimates loan subsidy values.
- Aggregates the various forms of Federal and federally assisted credit, eliminating overlapping relationships.

Federal and Federally Assisted Credit Outstanding



Moreover, major legislative developments affecting credit programs are also identified—including newly enacted programs, program amendments, and legislation proposed in the budget.

Considerations of space and clarity require consolidation of accounts and programs in this analysis. Greater program detail is selectively available elsewhere. The *Treasury Bulletin* now provides data on direct and guaranteed loans outstanding for the most recently completed fiscal year or quarter—at both the account level and program level within accounts.¹ Moreover, the Budget Appendix contains a table displaying disbursements, repayments, and net outlays for each budget account containing direct loan transactions.²

TRENDS AND DIRECTIONS

Total credit provided by Federal direct loans, guarantees³ of private loans, and loans of off-budget agencies and Government-sponsored enterprises, has risen rapidly during the past decade. This growth reflects both the expansion of existing programs and the initiation of new ones. This trend has been marked by increased reliance upon private financing and a conscious attempt to limit the Government's role as a direct lender. While loan guarantees have been the principal factor in this trend, it has also involved the conversion to private ownership of certain credit enterprises formerly included in the budget, the creation of new enterprises of similar structure, the statutory exclusion from the budget of certain other Government-owned credit enterprises, and the encouragement of private financing by paying a share of the interest costs, usually under long-term subsidy contracts.

Even when totally outside the Federal budget and without support from budget resources, Federal guarantees and other means of Federal credit aid have a significant economic impact and social cost. They alter market mechanisms in determining who gets scarce credit resources, in what order of priority, and at what cost. As a result the structure of the economy is altered, capital markets are affected in major respects, and fiscal policy objectives are made more difficult to attain.

DIRECT LOANS

Direct loans are those made directly from budget resources—either from receipts or from funds borrowed by the Treasury or a Federal agency. However, the lending activities of several large Government credit agencies have recently been placed outside budget totals.

To facilitate comparisons, data for the off-budget activities of the three of these agencies previously included in budget totals are provided in memorandum entries in the direct loan tables E-1, E-2, and E-3. The main treatment of these direct loan activities, however, occurs in the section entitled Credit Agencies Outside the Budget—which accompanies table E-7.

¹ See table GA-III-2, p. 124, October 1973 issue for June 30, 1973 data.

² See Appendix p. 1057

³ Statutory usage of the terms guarantee and insurance follows no consistent pattern that distinguishes between them. Guarantee is, therefore, used frequently in this text to cover both terms.

For the purposes of this section, then, direct loans are defined as those which are included within budget totals.

New commitments.—Advance commitments to make direct loans provide an indication of future trends in financial flows and their economic impact because, in most cases, fairly long leadtimes elapse between commitment and disbursement. In the few cases in which no advance commitment precedes the loan disbursement, the commitment is recorded at the time of the loan outlay. Most commitments for direct loans are used by the borrower since terms are generally more favorable than he can obtain elsewhere.

Table E-1. NEW COMMITMENTS FOR DIRECT LOANS (in millions of dollars)

Agency or program	1973 actual	1974 estimate	1975 estimate
Funds appropriated to the President:			
International security assistance.....	332	2,373	290
International development assistance.....	675	958	1,027
Agriculture:			
Rural Electrification Administration.....	420	-----	-----
Farmers Home Administration.....	58	11	21
Commodity Credit Corporation.....	2,609	1,713	2,549
Public Law 480 long-term export credits.....	649	739	702
Commerce: Economic Development Administration.....	52	18	16
Health, Education, and Welfare:			
Health programs.....	98	102	48
Education programs.....	628	394	133
Housing and Urban Development:			
Low-rent public housing.....	62	153	45
Federal Housing Administration.....	-----	-----	-----
Community development loans.....	908	1,012	812
Other mortgage credit.....	-----	-----	-----
Interior.....	24	18	13
Transportation.....	63	77	46
Treasury Department.....	114	-----	-----
General Services Administration.....	30	25	20
Veterans Administration:			
Housing loans and guarantees.....	283	342	349
Insurance policy loans.....	129	134	139
District of Columbia.....	176	270	253
Small Business Administration:			
Business and investment loans.....	223	235	235
Disaster loans.....	1,090	180	200
Other agencies and programs.....	128	122	110
Total.....	8,749	8,876	7,008
MEMORANDUM			
Government National Mortgage Association: Tandem plan ¹	4,778	7,095	2,020
Off-budget agencies: ²			
Export-Import Bank.....	4,053	5,175	5,570
Rural Electrification Administration.....	479	758	758
Rural Telephone Bank.....	14	150	160

¹ Excluded from totals because they duplicate commitments counted elsewhere (see text).

² The transactions of these Federal agencies have been excluded from budget totals by statute. Main table REA entry includes \$136 million commitments by RTB. On-budget lending activity of these agencies appears in tables E-2 and E-3. Off-budget activity is summarized in table E-7.

New commitments for direct loans are almost unchanged in 1974 at \$8.9 billion, then decline to \$7.0 billion in 1975 (see table E-1). The 1974 level is sustained by a \$2 billion increase in foreign military assistance loan commitments, despite several declines elsewhere.

The Export-Import Bank, excluded from budget totals by statute on August 17, 1971, plans to increase its direct loan commitments to \$5.2 billion in 1974, and to \$5.6 billion in 1975.

Partly to avoid double counting, the direct loan commitment totals do not reflect the use of direct loan commitments resulting from the tandem plan of the Government National Mortgage Association (GNMA). Under this program GNMA partially supports the market for guaranteed housing loans when required market yields exceed the interest rate ceiling placed on these loans by the guaranteeing agency. GNMA makes advance commitments to purchase these loans at a price somewhat above market, subsequently reselling them at marketable yields.

Disbursements and repayments.—Disbursements for direct loans are of significantly different character from most other expenditures in the budget: First, a government asset is established in the amount of the loan; and second, the loan principal amount is usually recovered over the term of the loan. Repayments of outstanding loans are not classified as revenues in the budget, but are offset—against new loan disbursements for loan revolving funds, and against general expenditures in the case of nonrevolving accounts. This netting tends to understate the level of economic activity attributable to new loans, particularly if repayments from old loans are large in total. Gross loan disbursements provide a more complete measure of program levels.

An important caveat with respect to the loan disbursement levels displayed in table E-2 is that only about half of the totals represent primary direct loan programs. The remainder are disbursements relating to guarantee programs. In some of the Farmers Home Administration programs, for example, loans are customarily originated by the agency for resale to private investors in the form of notes. In some other programs, such as the direct loan program of the Veterans Administration, the primary delivery of credit assistance is through a guarantee program, but a direct loan alternative is provided in special cases where guaranteed private loans are unavailable. Finally, direct loan outlays are established when claims are paid under guarantee programs and the Government receives either the original loan or the loan collateral. The loans thus obtained are often either repaid or sold to other investors. Recoveries from liquidation of collateral obtained under defaulted loans are recorded as repayments, and losses thus established are written off.

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

Table E-2. DIRECT LOAN DISBURSEMENTS AND REPAYMENTS
(in millions of dollars)

Agency or program	1973 actual		1974 estimate		1975 estimate	
	Disbursements	Repayments	Disbursements	Repayments	Disbursements	Repayments
Funds appropriated to the President:						
International security assistance.....	473	59	991	192	963	195
International development assistance....	584	122	693	169	1,039	217
Agriculture:						
Rural Electrification Administration ¹	519	150	-----	-----	-----	-----
Farmers Home Administration.....	3,125	3,832	4,380	4,240	4,198	4,741
Commodity Credit Corporation.....	2,563	2,910	1,642	2,454	2,538	2,342
Public Law 480 long-term export credits..	690	238	739	98	702	72
Commerce:						
Economic Development Administration...	45	16	53	20	39	23
Health, Education, and Welfare:						
Health Programs.....	66	1	115	41	75	40
Education programs.....	283	14	348	19	370	28
Housing and Urban Development:						
Low-rent public housing.....	625	640	700	700	650	650
Federal Housing Administration.....	432	85	469	54	555	67
Government National Mortgage Association.....	290	1,585	144	590	-----	572
Community development loans.....	849	829	1,106	1,054	859	885
Other mortgage credit.....	64	68	33	73	19	78
Interior.....	23	4	21	5	20	5
Transportation.....	63	*	77	*	46	*
Treasury Department.....	107	291	-----	110	-----	124
General Services Administration.....	20	69	25	41	20	43
Veterans Administration:						
Housing loans and guarantees.....	272	693	341	587	363	547
Insurance policy loans.....	129	109	134	113	139	119
District of Columbia.....	176	52	270	53	253	55
Small Business Administration:						
Business and investment loans.....	228	183	307	206	355	208
Disaster loans.....	727	83	367	165	343	194
Other agencies and programs.....	48	51	45	32	32	31
Total.....	12,401	12,084	13,001	11,018	13,577	11,236
MEMORANDUM						
GNMA Tandem plan ²	1,246	1,125	1,597	1,973	3,952	3,952
Off-budget agencies:						
Export-Import Bank ³	1,903	1,273	2,392	1,229	2,606	1,291
Rural Electrification Administration ¹	92	20	795	156	830	194
Rural Telephone Bank ¹	11	-----	126	*	150	1
Repurchases and sales of loans included above (except Export-Import Bank)	Repurchases	Sales	Repurchases	Sales	Repurchases	Sales
USDA: Farmers Home Administration.....	316	3,325	651	3,850	653	4,354
Housing and Urban Development.....	-----	1,194	-----	-----	-----	377
Veterans Administration.....	-----	489	-----	417	-----	390
Other agencies.....	-----	-----	-----	40	-----	39
Total.....	316	5,008	651	4,307	653	5,160

*Less than 0.5 million.

¹ Effective May 12, 1973 the lending activities of the Rural Electrification Administration and the Rural Telephone Bank were excluded from budget totals by statute. Main table REA entry includes \$34 million disbursements by RTB.

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

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

Gross loan disbursements (adjusted)⁴ are expected to rise by \$0.6 billion in 1974, and again in 1975, to a level of \$13.6 billion. Offsets from loan sales are detailed at the bottom of table E-2. Most such sales are from direct loan portfolios related to guarantee programs

⁴ Noncash adjusting entries reduced gross loan disbursements by \$718 million in 1973.

Table E-3. OUTSTANDING DIRECT LOANS (in millions of dollars)

Agency or program	Net change			Outstanding		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Funds appropriated to the President:						
International security assistance.....	415	799	768	1,211	2,010	2,778
International development assistance.....	457	524	822	10,432	10,956	11,778
Agriculture:						
Rural Electrification Administration ¹	369	-----	-----	(¹)	-----	-----
Farmers Home Administration.....	-707	141	-544	1,998	2,138	1,595
Commodity Credit Corporation.....	-348	-813	196	2,720	1,908	2,103
Public Law 480, long-term export credits.....	451	641	630	3,149	3,790	4,420
Commerce: Economic development loans.....	29	33	16	462	494	510
Health, Education, and Welfare:						
Health programs.....	65	74	36	353	427	463
Education programs.....	269	329	342	2,587	2,916	3,258
Housing and Urban Development:						
Low-rent public housing.....	-15	-----	-----	50	50	50
Federal Housing Administration.....	347	414	488	1,359	1,773	2,261
Government National Mortgage Association.....	-1,295	-446	-572	3,761	3,315	2,743
Community development loans.....	20	52	-26	833	885	859
Other mortgage credit.....	-4	-40	-59	3,872	3,832	3,773
Interior.....	19	16	15	235	251	266
Transportation.....	63	77	46	120	197	243
Treasury.....	-183	-110	-124	3,880	3,770	3,646
General Services Administration.....	-49	-16	-23	102	86	63
Veterans Administration:						
Housing loans.....	-420	-246	-184	1,822	1,576	1,392
Insurance policy loans.....	21	21	21	1,048	1,068	1,089
District of Columbia.....	124	217	198	675	893	1,090
Small business Administration:						
Business and investment loans.....	46	101	147	1,405	1,506	1,652
Disaster loans.....	644	202	149	1,272	1,474	1,623
Other agencies and programs.....	1	12	1	547	559	560
Total direct loans.....	317	1,983	2,341	43,891	45,874	48,215

MEMORANDUM

Off-budget agencies:²						
Export-Import Bank ³	630	1,163	1,315	6,586	7,749	9,063
Rural Electrification Administration ¹	72	639	636	6,567	7,206	7,842
Rural Telephone Bank ¹	11	126	149	46	172	320

¹ Effective May 12, 1973, the lending activities of the Rural Electrification Administration and the Rural Telephone Bank were excluded from budget totals by statute with outstanding direct loans of \$6,494 million and \$35 million respectively. Main table REA entry includes \$35 million net change by RTB.

² These direct loans are counted in table E-7 totals.

³ Excluded from budget totals by statute on Aug. 17, 1971.

Since loan disbursements and repayments in foreign currencies are not included in the budget, the tables in this analysis include only data on loans that are both disbursed and repayable in dollars. Recent policy has required that loans disbursed in dollars be repaid in dollars; however, loans disbursed in foreign currencies may stipulate repayment either in dollars or in local currencies.⁵

Changes in outstanding direct loans.—Partly because of loan repayments, and sales of loans from loan portfolios, but also as a result of deliberate policies to restrain Government preemption of the role of the private credit system, outstanding direct loans from budget accounts have shown little or no growth in recent years, and have occasionally declined.

The net increase in direct loans for 1973 was \$0.3 billion, and is expected to be \$2.0 and \$2.3 billion for 1974 and 1975—bringing the level of direct loans outstanding to \$48.2 billion at the end of the budget year (table E-3).

Direct loan growth might have been substantially greater, had not several direct loan programs—most notably those of the Export-Import Bank and the Rural Electrification Administration—been removed from the budget in recent years. Estimates of their lending activity appear in the memorandum section of table E-3, but are included with other off-budget credit agencies in tables E-7 and E-8.

GUARANTEED LOANS

The most consistent growth among the various forms of federally assisted credit has occurred in guaranteed loans. Off-budget credit agencies, discussed later, including federally sponsored private agencies are also a major source of growth, but their growth pattern is less consistent due to the dominance of cyclical demands arising from variations in credit flows to the mortgage market.

New commitments.—Most commitments for guarantees of subsidized private loans are used, but where commitments are for the guarantee of unsubsidized loans, the borrower sometimes finds alternative financing. This happens most frequently in market rate housing loan-guarantee programs where builders obtain commitments in advance of sale, and the buyer and his financing needs are unknown. To the extent that this occurs, commitments tend to overstate future loan guarantee activity. Unused commitments nonetheless help initiate economic activity since they facilitate the sponsor's planning and aid him in obtaining interim financing in private credit markets.

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

	1973	1974	1975
Outstanding, start of year (dollar equivalents).....	5,355	5,244	5,098
Disbursements.....	38	14	5
Repayments—dollars.....	2	4	5
Repayments—local currencies.....	248	156	163
Net disbursements.....	-212	-146	-163
Adjustments.....	101	-----	-----
Outstanding, end of year.....	5,244	5,098	4,935

Table E-4. NEW COMMITMENTS FOR GUARANTEED AND INSURED LOANS
(in millions of dollars)

Agency or program	1973 actual	1974 estimate	1975 estimate
Funds appropriated to the President:			
International security assistance.....	218	540	253
International development assistance.....	85	165	22
Agriculture:			
Rural Electrification Administration ¹		1,005	1,386
Farmers Home Administration.....	3,609	3,908	3,766
Commerce: Maritime Administration.....	966	1,130	1,018
Health, Education, and Welfare:			
Health programs.....	476	374	20
Education programs.....	1,371	1,050	1,255
Housing and Urban Development:			
Low-rent public housing.....	560	1,373	406
Federal Housing Administration.....	9,307	8,518	7,655
Community development loans.....	1,006		
New communities fund.....	53	160	300
Transportation.....	93	236	286
For: Washington Metropolitan Area Transit Authority.....	445	315	237
General Services Administration.....	633	209	250
Veterans Administration: Housing loans and guarantees.....	8,847	8,942	9,270
Emergency Loan Guarantee Board.....	50	100	
Environmental Protection Agency.....		60	240
Export-Import Bank ¹	6,637	8,180	9,889
Small Business Administration.....	2,029	2,690	2,974
Other agencies and programs.....	26	42	40
Total.....	36,411	38,996	39,267

MEMORANDUM

GNMA mortgage backed securities ²	3,607	4,000	4,500
HEW guarantees of SLMA obligations ²		500	1,000

¹ Transactions of these agencies have been excluded from budget totals by statute. However, this does not affect their inclusion, along with budget agencies, for purposes of aggregating guaranteed loan activity.

² Excluded from totals because they duplicate commitments counted elsewhere (see text below).

New commitments for guarantees of private loans are expected to rise from \$36.4 billion in 1973 to \$39.0 billion in 1974 and to \$39.3 billion in 1975.

Despite overall increases, a 2-year decline of \$1.8 billion is expected in the level of insurance commitments of the Federal Housing Administration. The rapid development of a private mortgage insurance industry, together with regulatory changes which permit lower down payment loans with this insurance, have resulted in reduced dependence on FHA insurance.

To avoid double counting, GNMA commitments to guarantee private securities backed by federally guaranteed housing loans are excluded from table E-4 totals. Likewise, HEW guarantees of obligations of the Student Loan Marketing Association (SLMA) are excluded from totals, since SLMA makes its loans to institutions only against student loans already insured by HEW under the Student loan insurance program. Commitments for both of these programs are shown as memorandum entries below the total line (table E-4).

Changes in outstanding guaranteed loans.—Loan guarantees were increased by a net of \$15.2 billion in 1973, and are expected to rise \$15.4 and \$13.3 billion, respectively, in 1974 and 1975—bringing the level of guaranteed loans outstanding to \$202.8 billion at the end of the budget year (table E-5). This figure includes \$2.9 billion of guaranteed loans held in government accounts (GNMA) as direct loans (see table E-8).

Table E-5. **GUARANTEED AND INSURED LOANS OUTSTANDING**
(in millions of dollars)

Agency or program	Net changes			Outstanding		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Funds appropriated to the President:						
International security assistance.....	-104	233	123	244	477	600
International development assistance.....	52	129	22	473	602	625
Agriculture:						
Rural Electrification Administration ¹	-----	1,005	1,386	-----	1,005	2,391
Farmers Home Administration.....	2,520	2,498	2,630	9,436	11,934	14,564
Commerce:						
Maritime Administration.....	178	1,064	680	1,260	2,324	3,004
Health, Education, and Welfare:						
Health programs.....	42	204	326	47	251	576
Education programs.....	949	1,130	826	4,788	5,918	6,744
Housing and Urban Development:						
Low-rent public housing.....	1,065	1,190	741	11,783	12,973	13,714
Federal Housing Administration.....	1,860	183	-1,944	86,877	87,060	85,116
Community development loans.....	303	-217	-376	3,650	3,433	3,057
New communities administration.....	74	120	275	198	318	593
Other mortgage credit.....	208	110	50	703	813	863
Transportation.....	-5	179	66	187	366	432
For: Washington Metropolitan Area Transit Authority.....	445	315	237	445	760	997
General Services Administration.....	633	209	250	681	890	1,140
Veterans Administration.....	5,163	4,460	5,165	47,165	51,625	56,790
Emergency Loan Guarantee Board.....	50	100	-50	150	250	200
Environmental Protection Agency.....	-----	60	240	-----	60	300
Export-Import Bank ¹	656	933	1,152	2,749	3,682	4,834
Small Business Administration.....	1,092	1,461	1,455	3,105	4,566	6,021
Other agencies and programs.....	10	31	30	133	164	194
Total guaranteed loans.....	15,189	15,397	13,284	174,073	189,471	202,755
MEMORANDUM						
GNMA mortgage backed securities ²	2,419	3,198	3,341	9,219	12,418	15,759
HEW guarantees of SLMA obligations ²	-----	480	970	-----	480	1,450

¹ Direct loans of these agencies have been excluded from budget totals by statute. However, this does not affect their inclusion along with budget agencies for purposes of aggregating guaranteed loan activity.

² Excluded from totals to eliminate double counting with guarantees of underlying mortgages.

A number of guaranteed loans provide for less than 100% guarantee of principal, but the amounts shown include both the guaranteed and nonguaranteed portions of outstanding loans in order to give a comprehensive measure of the credit attributable to Federal assistance. Due to "coinsurance," however, the Government's contingent liability on the \$202.8 billion of guaranteed loans outstanding at the end of 1975 is reduced by \$31.4 billion. (The additional liability for interest guarantees and interest subsidy contracts is not included in these totals.)

INTEREST SUBSIDIES

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

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

However, only the subsidy of interest is treated in this analysis. No attempt to identify and measure other subsidy elements has been undertaken, even though some of these may be substantial. For example, inadequate fees or premiums to cover costs of administration and losses, waivers of such fees or premiums, or forgiveness of part or all of loan principal are not reflected. For programs financed with tax-exempt securities, the method used covers that part of the tax subsidy which accrues to the borrower.

Direct loan subsidies.—Because direct loans are largely or wholly repayable, generally with interest, the long run net costs of loan programs usually are substantially less than the initial outlays for capital, plus other expenses. Few direct loan programs are fully self-supporting, however. Although some programs with statutory interest rate formulas tied to Treasury borrowing costs imply self-support, these are seldom designed to recover all costs—including direct and indirect costs, adequate provision for risk or loss, or the discount required to provide a marketable yield if the loan is sold. Moreover, the costs of all Federal debt financing may be marginally increased by individual program demands.

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

Guaranteed loan subsidies.—In recent years, an increasing number of guaranteed loan programs have provided significant subsidies in order to help meet the needs of their borrowers. Fees or premiums to cover part or most of administrative expenses and probable losses are customary in guarantee programs. But absence of such charges in some programs is an additional form of subsidy.

Long-term contracts to provide debt service payments are the most frequently used subsidy device. These commitments sometimes cover both interest and principal amounts, but more often cover some

designated share of the interest cost. This approach is being used for a growing variety of loan programs, including those for low- and moderate-income housing, student expenses for higher education, academic facilities, and medical facilities.

In some programs, the guaranteed loan begins as a direct loan made at interest rates below the market, which is resold with the Government agency's guarantee, either at a discount (which provides a marketable yield) or with a commitment to pay additional interest in periodic installments to the private purchaser of the loan.

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

Subsidy measurement.—One way that the impact of future subsidies could be viewed would be simply to total all future payments. However, because of interest, a dollar payable at some future date is worth less than a dollar paid out today. Said differently, a dollar payable in the future "costs" less, because some smaller amount invested today at interest would grow sufficiently to meet the obligation when due. Therefore, a simple total of future obligations would clearly overstate the true value of the subsidy stream. A better way to measure the ultimate value of the successive annual subsidy payments is in "present value" terms, in accordance with the recommendations of the President's Commission on Budget Concepts. This is accomplished by capitalizing (or discounting) future subsidies at an appropriate interest (or discount) rate.

The selection of an appropriate interest rate might vary with analytical objectives. The choice for discounting both direct and guaranteed loans in this analysis is $9\frac{1}{2}\%$, a rate approximately equivalent to the private market yield on long-term guaranteed housing loan commitments in December 1973, if an allowance for guarantee costs is added. Although private market interest rates would vary significantly according to program, borrower, and loan characteristics, the use of a single market rate as a "proxy" for all loans facilitates analysis. Likewise, year-to-year comparisons are facilitated when the same rate is used for all 3 years of the table (despite the significant changes in market rates that have occurred over the past year). The selection of a private market rate basis (over a Treasury borrowing rate for instance) has the advantage of valuing direct loan assets near the price which they should bring if sold to private investors, and also more nearly approaches the benefit provided to borrowers.

Table E-6 provides estimates of subsidy values that will result from loan commitments made or to be made in the years 1973 through 1975. Both the annual subsidy rates and the discounted present value of all future subsidies are provided. However, the subsidies provided currently—on behalf of guaranteed or direct loans already outstanding—are not covered in this analysis. While the estimates are primarily illustrative rather than exact or comprehensive, they do facilitate year-to-year comparisons of new subsidy commitments.

Table E-6. ESTIMATED INTEREST SUBSIDY VALUES FOR MAJOR DIRECT AND GUARANTEED LOAN COMMITMENTS
(in millions of dollars)

Agency and program	Borrower loan terms ¹		Annual subsidy per \$100 million commitments ²	Commitments			Present value at 9½% discount—future subsidies committed in—		
	Per-cent	Years		1973	1974	1975	1973	1974	1975
DIRECT LOANS									
Funds appropriated to the President:									
Security assistance.....	6.0	23.1	2.7	332	2,373	290	84	597	73
Development assistance.....	2.8	40.0	5.6	675	958	1,027	388	551	591
Agriculture:									
Price support.....	65.5	.7	5.0	2,609	1,713	2,549	79	52	77
CCC: Public Law 480.....	2.3	33.0	5.6	649	739	702	366	417	396
Farmers Home Administration.....	44.6	2.0	2.7	58	11	21	3	1	1
Rural Electrification Administration ³	4.1	35.0	4.5	763	758	758	346	344	344
Health, Education, and Welfare:									
Capital for student loans.....	61.9	10.0	4.5	58	88	130	17	26	38
Higher education facilities.....	3.0	30.0	5.0	-----	11	2	-----	5	1
Housing and Urban Development:									
Urban renewal.....	6.0	3.5	1.9	790	1,012	812	46	58	47
Low-rent public housing.....	0.0	1.5	5.1	62	153	45	4	11	3
Federal Housing Administration.....	5.6	30.0	3.2	479	582	693	151	184	219
VA: Insurance policy loans.....	5.0	15.0	3.0	129	135	140	31	33	34
Export-Import Bank ⁴	6.0	6.0	2.0	4,053	5,175	5,570	377	481	518
Small Business Administration:									
Business and investment loans.....	6.4	9.1	2.0	223	235	235	26	28	28
Disaster loan fund.....	5.0	3.2	2.5	1,090	180	200	75	12	14
Total, major subsidized direct loans.....							1,995	2,801	2,384

GUARANTEED LOANS

Agriculture:									
Rural housing insurance fund.....	5.0	25.0	3.5	1,853	2,144	2,122	613	709	702
Rural development insurance fund.....	5.0	40.0	3.9	345	720	800	140	291	324
Agricultural credit insurance fund.....	5.0	25.0	3.5	1,410	1,044	844	467	345	279
Health, Education, and Welfare:									
Student loan insurance.....	4.4	10.0	3.2	1,199	1,050	1,255	245	214	256
Higher education facilities.....	5.3	30.0	3.4	648	368	-----	221	126	-----
Housing and Urban Development:									
Urban renewal.....	4.9	10.0	2.9	1,006	-----	-----	186	-----	-----
Low-rent public housing.....	0.0	41.5	7.3	560	1,373	406	421	1,032	305
Mortgage insurance (subsidized).....	2.0	34.5	5.9	3,593	2,688	1,447	2,132	1,595	859
Export-Import Bank: Portfolio sales ⁷	6.0	3.5	1.9	144	50	50	8	3	3
Total, major subsidized guaranteed loans.....							4,432	4,316	2,728
Grand total.....							6,427	7,117	5,112

¹ If terms vary, these are estimated averages.

² Based on 9 1/2% value of funds.

³ Rate was 3.5% in 1973.

⁴ Various interest rates and maturities.

⁵ Effective May 12, 1973, the lending activities of the Rural Electrification Administration and the Rural Telephone Bank were excluded from the budget by statute.

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

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

Loan subsidies, annual basis.—The annual subsidy rate for direct loan commitments made in 1973 was approximately \$400 million. The rate for 1974 commitments rises to \$447 million, followed by a decline to \$434 million for 1975 commitments. This trend is largely influenced by a 1974 bulge in commitments for international security assistance loans. For guaranteed loan commitments, the annual rate was \$472 million for 1973 and is projected to decline to \$447 and \$291 million in 1974 and 1975, respectively. This trend largely reflects the slowing of commitment activity for subsidized housing.

Loan subsidies, present-value basis.—When extended to their respective maturities, the amounts of the annual subsidies cited above total \$19.2, \$21.9, and \$15.0 billion for 1973 through 1975 commitments, respectively. But since these subsidies occur over time, rather than at once, their present value is determined by discounting (at 9½% in this year's analysis), using the procedure previously discussed. The present values of these 1973 to 1975 commitments are thus estimated at \$6.4, \$7.1, and \$5.1 billion.

CREDIT AGENCIES OUTSIDE THE BUDGET

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

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

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

Funds loaned by the agencies are not obtained entirely from borrowings in the capital markets. Sale of capital stock and retained earnings also provide some resources for lending. Moreover, the timing relationships of borrowing with respect to lending will vary from year to year. Table E-7 shows both the lending and borrowing sides of these credit activities.

The home loan banks and the three farm credit banking systems identified in table E-7 are actually systems of regional institutions which pool their borrowing to gain increased efficiency.

⁶ The program of the Government National Mortgage Association (a budget agency in HUD) to guarantee mortgage-backed securities achieves a very similar "intermediation" result. GNMA guarantees securities issued against privately held pools of federally guaranteed or insured mortgages. Data appear in memorandum entries of tables E-4 and E-5.

Table E-7. NET CREDIT ADVANCED, NET CREDIT RAISED, BY MAJOR CREDIT AGENCIES OUTSIDE THE BUDGET (in millions of dollars)

	1973 actual	1974 estimate	1975 estimate	Out- standing end of 1975 estimate
LENDING				
Rural Electrification Administration ¹	73	639	636	7,842
Rural Telephone Bank ¹	11	126	148	320
Student Loan Marketing Association.....	-----	480	970	1,450
Federal National Mortgage Association ²	2,449	4,889	2,110	28,072
U.S. Railway Association.....	-----	-----	(³)	(³)
Environmental Financing Authority.....	-----	60	240	300
Export-Import Bank.....	630	1,163	1,314	9,063
Farm Credit System:				
Banks for cooperatives.....	664	210	200	3,135
Federal intermediate credit banks.....	578	888	1,040	8,886
Federal land banks.....	1,687	1,520	1,576	13,214
Federal Financing Bank.....	-----	(³)	(³)	(³)
Federal Home Loan Bank Board:				
Federal home loan banks.....	5,066	5,462	-5,490	11,157
Federal Home Loan Mortgage Corporation ^{2 4}	617	650	740	3,362
Total lending ^{4 5}.....	11,775	16,087	3,484	86,801
BORROWING				
Student Loan Marketing Association.....	-----	480	970	1,450
Federal National Mortgage Association.....	1,834	4,726	2,035	27,127
Farm Credit System:				
Banks for cooperatives.....	569	249	178	2,844
Federal intermediate credit banks.....	555	766	969	8,471
Federal land banks.....	1,518	1,423	1,497	12,042
Federal Home Loan Bank Board:				
Federal home loan banks.....	3,706	5,479	-5,182	10,212
Federal Home Loan Mortgage Corporation ⁴	618	486	800	3,519
Total non-Federal borrowing ⁴.....	8,801	13,609	1,267	65,665
Borrowing reflected in Federal debt:				
Rural Electrification Administration ¹	18	424	663	8,052
Rural Telephone Bank ¹	-----	109	143	312
Environmental Financing Authority.....	-----	100	200	300
Export-Import Bank:				
From the public.....	402	920	1,062	4,203
Government equity.....	234	232	242	4,914
Federal Financing Bank.....	-----	(³)	(³)	(³)
U.S. Railway Association.....	-----	-----	(³)	(³)
Total borrowing ⁴.....	9,454	15,395	3,577	83,446

¹ Excluded from budget totals by statute on May 12, 1973. REA had outstanding loans of \$6,494 million, debt to Treasury of \$6,563 million, and Government equity of \$384 million. RTB had outstanding loans of \$35 million and debt of \$60 million.

² Loans purchased at discount are recorded at acquisition cost.

³ Newly enacted; not yet organized. Estimates of timing and levels of operation are unavailable. See text discussion.

⁴ Excludes loans offset by sales of participation certificates (pass-through type), treated by FHLMC as a sale of loan assets, and therefore not reflected on the corporation's balance sheet. Net increases in outstanding PC's were \$267 and \$433 million in 1972 and 1973, and are projected at \$920 and \$1,495 million for 1974 and 1975—with 1975 yearend outstandings of \$3,115 million.

⁵ Federal reserve banks' loans to member banks are excluded from these totals: loans outstanding as of June 30, 1973 amounted to \$1,837 million, an increase of \$1,634 million from 1972. Estimates not available for other years.

One recently authorized enterprise, the Student Loan Marketing Association, began "warehousing"⁷ student loans in the first half of fiscal year 1974. The Environmental Financing authority now expects to begin transactions within 1974. The newly enacted (December 1973) Federal Financing Bank expects to be organized and begin financing selected agency borrowing and lending programs, within fiscal year 1974, and is expected to achieve important gains in financing efficiency for selected guaranteed loan programs and agency borrowing programs. The U.S. Railway Association, just authorized by statute in January 1974, will probably not begin its \$1.5 billion lending program until 1976.

Effective May 12, 1973, the lending activities of the Rural Electrification Administration and the Rural Telephone Bank were excluded from budget totals by statute. This followed a somewhat similar statutory exclusion of the Export-Import Bank from budget totals effective August 17, 1971. The "debudgeting" of the REA direct loans was accompanied by large new loan guarantee programs.

Off-budget and sponsored credit agencies as a group supplied \$11.8 billion of credit funds in 1973, and expect to supply \$16.1 billion during 1974. Of the \$4.3 billion increase, FNMA expects to supply \$2.4 billion. Anticipations for 1975 drop sharply to a net supply of funds of \$3.5 billion. The \$12.6 billion decline is dominated by a turnaround of \$11 billion at Home Loan Banks—from \$5.5 billion net advances in 1974, to \$5.5 billion net repayments in 1975. FNMA also expects to supply \$2.8 billion less in 1975 than in 1974. (See footnotes to table E-7 regarding additional credit not in totals.) These estimates suggest expectations of lower levels of mortgage commitments accompanied by increased savings flows to thrift institutions.

Table E-7 also shows how these agencies raise their funds. Their aggregate borrowing volume was \$2.3 billion less than their lending in 1973, but 1974 and 1975 differences are mostly of timing. Outstanding loans of these agencies are expected to total \$86.8 billion by the end of 1975, exceeding their \$83.4 billion borrowings by \$3.4 billion.

SUMMARY OF FEDERAL AND FEDERALLY ASSISTED CREDIT

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

Table E-8 shows the net new loan *funds advanced* to the public, either directly from Federal budget accounts, through the Federal assistance provided by Federal guarantees of private lending, or through the lending of off-budget and federally sponsored agencies.

The net credit advanced under Federal auspices in 1973 was \$26.1 billion. Net advances in 1974 are expected to climb to \$30.1 billion, but are to be followed by a sharp decline to \$16.8 billion in 1975, according to agency projections. The decline occurs mainly in the sponsored agencies, usually the most volatile component of the

⁷ That is, making short-term liquidity loans to lenders and investors against their loan portfolio collateral.

Federal credit aggregate, largely because Home Loan Banks are contingent suppliers of funds to backstop changes in housing demand and savings deposit flows.

The Federal role in the demand for credit—the *funds raised* under Federal auspices—involves the credit raised through guaranteed loan programs, that raised by federally sponsored credit agencies, and that raised directly through Federal borrowing. These components have been aggregated and discussed in Special Analysis C: Borrowing, Debt, and Investment (table C-9).

Table E-8. SUMMARY OF NET CREDIT ADVANCED UNDER FEDERAL AUSPICES (in billions of dollars)

	1973 actual	1974 estimate	1975 estimate	Out- standing end of 1975 estimate
Direct loans (from table E-3).....	0.3	2.0	2.3	48.2
Guaranteed loans (from table E-5).....	15.2	15.4	13.3	202.8
Less guaranteed loans held in direct loan portfolio:				
By GNMA.....	-1.2	-.5	-.6	2.9
In portfolios of off-budget agencies:				
By FNMA.....	2.2	3.0	1.4	25.2
By FHLMC.....	.4	.3	.3	2.2
By Export-Import Bank.....	-.2			
By EFA.....		.1	.2	.3
By SLMA.....		.5	1.0	1.4
Net guaranteed loans.....	14.0	12.0	11.0	170.7
Credit by off-budget agencies (from table E-7) ¹	11.8	16.1	3.5	86.8
Total, credit advanced to the public under Federal auspices ¹	26.1	30.1	16.8	305.7

¹ Excludes loans offset by sales of participation certificates (passthrough type), treated by FHLMC as a sale of loan assets, and therefore not reflected on the corporation's balance sheet. Net increases in outstanding PC's were \$267 and \$433 million in 1972 and 1973, and are projected at \$920 and \$1,495 million for 1974 and 1975—with 1975 yearend outstandings of \$3,115 million.

PROPOSED LEGISLATION

Legislation to provide loan guarantees for Indian small business and economic development has been proposed and is pending in the Congress. Other legislation is being proposed, (a) to increase the borrowing limits under the guaranteed student loan program, and (b) to authorize up to \$2 billion in loan guarantees for investments in railroad plant and equipment.

NEWLY ENACTED CREDIT LEGISLATION

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

Rural Electrification Act of 1973—Public Law 92-32

Completely reorganizes legislation for the lending activities of the Rural Electrification Administration and the Rural Telephone Bank. Provides for 2% and 5% direct loans based on need, and provides a new guaranteed loan program at market interest rates. Direct loans are eligible for resale as insured loans. All direct loan activities of REA and the RTB are placed outside the budget.

Rehabilitation Act of 1973—Public Law 93-112

Authorizes the Secretary of Health, Education, and Welfare, in consultation with the Secretary of Housing and Urban Development, to insure up to \$200 million of mortgages covering construction of public and nonprofit vocational rehabilitation facilities, including equipment needed for their operation. Mortgages bear market interest rates. Guarantees of tax-exempt securities are prohibited.

District of Columbia Self-Government and Governmental Reorganization Act of 1973—Public Law 93-198

Provides for the District to issue general obligation bonds for capital projects and refunding of indebtedness, and for cancellation of the District's authority to borrow from the U.S. Treasury. These authorities become effective if and when the District's self-government charter is accepted by a majority of its voters.

Emergency Security Assistance Act of 1973—Public Law 93-199

Authorizes \$2.2 billion in fiscal year 1974 for emergency security assistance for Israel, with flexibility to provide the assistance on a credit or grant basis, or combination of the two. Amounts in excess of \$1.5 billion require Presidential determination and report to Congress that such assistance is important to the national interest.

Health Maintenance Organization Act of 1973—Public Law 93-222

Authorizes the Secretary of Health, Education, and Welfare to make loans to public and nonprofit organizations for the development and expansion of health maintenance organizations (HMO's) as a method of delivering health services. Also authorizes loan-guarantees for profitmaking HMO's in medically underserved areas for planning, initial development and initial operating deficits.

Federal Financing Bank Act—Public Law 93-224

Authorizes creation of a Federal Financing Bank to provide for more efficient financing of the obligations of Federal agencies. May purchase both Agency debt issues and guaranteed loans with funds it borrows directly in the capital markets. Is authorized to borrow up to \$15 billion in the private market. The Act also requires approval by the Secretary of the Treasury of the sources, timing, terms, and maturities of certain Federal Agency borrowing activities.

Northeast Rail Restructuring Act—Public Law 93-236

Provides for creation of the U.S. Railway Association which may borrow up to \$1.5 billion either from Treasury or directly in the capital markets, to make loans to the new Consolidated Rail Corporation (CRC), to AMTRAK; or to other railroads. USRA will be federally owned, but its lending and borrowing are placed outside the Federal budget. Its obligations will be federally guaranteed. CRC will be a privately owned, for profit organization which will assume control of selected facilities and services of the bankrupt railroads, after an expected 18-month planning period. USRA may pay up to \$85 million to the bankrupt railroads, to continue essential services until the CRC assumes control of rail services, and may also make interim rail property improvement loans up to \$150 million, to be assumed by CRC.

SPECIAL ANALYSIS F
PRINCIPAL FEDERAL STATISTICAL PROGRAMS

This Special Analysis provides an overview of the major statistical programs of the Federal Government. It includes the complete budgets of four statistical agencies and those portions of other agency budgets which are devoted to statistics.

This year there is a continuing emphasis on providing data of better quality, timeliness, and coverage to meet demands of Government and the public in planning and policy formulation. A new program will be included to collect energy production, inventory, reserves, and resources information from industry. In addition, much data will be developed as a part of the petroleum allocation program. Concerns about economic stabilization, transportation, and the environment have intensified the demand for improved data. The 1975 program is particularly responsive to these concerns.

The 1975 budget for current statistics provides for an increase of 11% from \$353.7 million to a level of \$392.4 million. The increase for 1975 is directed primarily to new programs in economic statistics in the areas of production and distribution of economic goods and services, indexes of prices and wages, and measurement of the domestic economic activity and the Nation's international transactions.

Current statistics in the social and demographic areas will increase moderately after a recent period of relatively rapid growth. There will, however, be a significant redeployment of resources within these areas.

Total periodic programs will decrease in 1975, from \$32.2 million to \$29.7 million; completion of major tasks associated with the 1972 economic censuses and the decennial revision of the Consumer Price Index will be partly offset by increases in funds for the 1974 Census of Agriculture and the preparation for the 20th decennial census of population and housing.

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

	1973 actual	1974 estimate	1975 estimate
Labor statistics.....	57.1	64.8	69.7
Prices and price indexes.....	12.5	13.8	16.6
Production and distribution statistics.....	64.7	70.9	90.3
Construction and housing statistics.....	11.4	13.8	15.5
National economic and business financial accounts.....	21.5	26.7	28.7
Subtotal for economic statistics.....	167.2	190.0	220.8
Health-related statistics.....	72.4	81.4	83.9
Population statistics.....	11.4	6.7	7.4
Educational statistics.....	15.2	16.2	15.4
Criminal justice statistics.....	18.6	21.3	23.4
Social security and welfare statistics.....	12.2	18.7	21.2
Environmental statistics.....	20.3	19.4	20.3
Subtotal for demographic and social statistics.....	150.1	163.7	171.6
Total, principal current programs.....	317.3	353.7	392.4

ECONOMIC STATISTICS

Labor statistics.—For the past 3 years funds have been provided to design a general wage index which will be unaffected by changes in the amount of overtime or part-time work or changes in industrial or occupational mix. The design will be completed this year. The 1975 budget includes \$500 thousand to begin data collection for the index. It is expected that the general wage index will be published in 1976 and will appear monthly. An additional \$650 thousand is provided to improve the quality of the survey which is used to establish comparability between private and Federal compensation for similar levels of responsibility. Particular emphasis will be placed on achieving a better match between occupations surveyed in the private sector and Government occupations.

In 1975, the Government's statistical agencies will take initial steps toward improving their capability to measure personal income, income distribution, and consumer expenditure patterns. The Census Bureau will intensify efforts (\$326 thousand) to improve the measurement of personal income. Initial emphasis will be on components of cash income particularly public assistance payments, property income, and employee pensions. Some experiments in seeking better ways of measuring noncash income will also be undertaken.

As a companion project, the Bureau of Economic Analysis will undertake to extend and maintain on an annual basis its estimates of the size distribution of both cash and noncash personal income (\$189 thousand).

The Bureau of Labor Statistics (BLS) will initiate planning for a survey to gather current information on patterns of consumer expenditures (\$100 thousand). Because of the need to relate income and expenditure data in the analysis of consumer units as centers of economic activity, interagency planning for improved income and expenditure data will consider interrelationships between the income and expenditure projects.

Prices and price indexes.—During 1975 BLS will continue work on the major revision of the Consumer Price Index (CPI), described below under periodic programs. Expansion of the number of items priced monthly rather than less frequently, a program for which funds were provided in 1974, will improve the accuracy of the current CPI in 1975. In addition, major improvements will be undertaken in the Wholesale Price Index and the Industry Sector Price Indexes (\$400 thousand). These include reweighting the indexes to reflect values of shipments of commodities reported in the 1972 economic censuses, expanding the use of probability sampling techniques, and expanding industry coverage. Progress will continue to be made in expanding coverage for export and import price indexes (\$450 thousand). The plan for 1975 is to increase coverage of export prices from 30% to 40% of total exports and of import prices from 15% to 25% of total imports.

Production and distribution statistics.—Several programs of the Department of Agriculture relate to the deep concern over recent food price increases and the need for more accurate data upon which to base forecasts of supply and demand for food and fibers. The budget

provides \$735 thousand for the Statistical Reporting Service to expand surveys of hogs and cattle on feed to cover 95% of U.S. production. The program to measure weekly export sales of wheat, flour, feed grains, oil seeds, and cotton, required by the Agriculture and Consumer Protection Act of 1973 and assigned to the Statistical Reporting Service (\$450 thousand), has been substituted for a similar effort at the Department of Commerce. Finally, an addition of \$190 thousand provides for the evaluation of remote sensing methods using NASA satellites to collect data on agricultural land use and potential yields.

The Economic Research Service will study the cost factors involved in producing wheat, feed grain, and dairy products (\$885 thousand).

About \$5.3 million is provided for statistics and studies which relate to the supply and demand for energy. Most of this amount will go to Interior's Office of Energy Data and Analyses, which will become part of the new Federal Energy Administration once the necessary legislation is obtained. These funds (\$5.0 million) will be used to analyze existing energy data necessary for the development of a U.S. energy policy and to explore ways for improving basic statistics on energy. The Office will assemble information on reserves and utilization, forecast supply and demand conditions, develop analytical models, and study policy alternatives. The Bureau of Mines will use an additional \$300 thousand to enhance the existing data base on mineral resources and the cost of extraction.

This Nation lacks adequate information on the movements of people and commodities by various modes of transportation. Such information is crucial to the development of an efficient nationwide transportation system. In 1975, the Department of Transportation will sponsor a Census Bureau survey of commodity movement by mode of transportation, with data on costs and on measures of effectiveness including time in transit (\$1.5 million). The movement of people will be the subject of a smaller effort (\$585 thousand) designed to evaluate and plan for changes in service and facilities. Additional projects for measuring the effect on highway safety of various programs are mandated by the Highway Safety Act of 1973 (\$1.5 million).

The development of policies to assure economic stabilization at a high level of employment rests to a large extent on information about the present state of economic activity. The Census Bureau will initiate an annual survey of industrial productive capacity (\$133 thousand) which will serve also as a benchmark to the Federal Reserve's quarterly capacity measure. The Bureau of Economic Analysis is provided with \$133 thousand to study the timing of the economic impact of governmental fiscal policy decisions.

An additional \$943 thousand is proposed for the Bureau of the Census to complete the developmental work on the industrial directory and to apply it to statistical activities. The directory will be a computer file of industrial enterprises and establishments and will contain address, size codes, industrial classification, form of organization and company affiliation for each business unit listed. The directory will improve consistency of industrial classification of firms by the statistical agencies, increase the efficiency of sample selection, and reduce the burden on business of reporting to several different agencies information for classifying establishments by industry.

Construction and housing statistics.—An additional \$1.1 million is provided to the Department of Housing and Urban Development for the first full year of operation of the annual housing survey. The regular annual program will include collection of information on housing characteristics and quality for the Nation and for a panel of 20 metropolitan areas. Twenty new metropolitan areas will be added in 1976 and in 1977. In this way 60 areas, including about 50% of the Nation's population, will be included in a 3-year collection cycle. A rural supplement will make possible a detailed analysis of rural housing characteristics.

National economic and business financial accounts.—The 1975 budget proposes an additional \$1.3 million to improve statistics relating to the Nation's international economic accounts. Bilateral merchandise trade accounts, which have been developed recently with Canada, will be extended to some other major trading partners (\$450 thousand). An international travel survey will collect such data as origin, destination, purpose, and expenditures of travel to improve the accuracy of the balance of payments accounts and the effectiveness of U.S. travel policy (\$118 thousand). An annual survey of the sources and terms of export financing will enhance our knowledge of the forces determining our balance of merchandise trade (\$100 thousand). Additional funds for Customs Service (\$673 thousand) will upgrade the accuracy of the program being initiated in 1974 to collect data on imports c.i.f.

The Federal Trade Commission will be provided with \$137 thousand, in addition to funds already received, for implementation of a Line of Business report.

DEMOGRAPHIC AND SOCIAL STATISTICS

Health-related statistics.—These activities continue to represent the largest portion of the social and demographic statistics budget. An increase of \$5.5 million is provided for the National Center for Health Statistics. A major feature of the 1975 program is the continued development of a cooperative Federal-State-local health data system under which basic data needed for Federal, State and local purposes will be collected by State and local agencies in accordance with Federal standards and specifications. Initial emphasis will be on vital statistics, health manpower and health facilities statistics. The National Center for Health Statistics will also begin work on developing the capability to collect and analyze data on the economics of health care.

Other changes in health-related statistics reflect increases for monitoring systems in areas where Federal programs or responsibilities have been expanding, such as on cancer surveillance (\$0.8 million) and adverse drug reactions (\$0.5 million). Further strengthening of health insurance statistics will provide more timely information on services and costs in the Medicare program (\$0.5 million). Detailed data will be made available concerning hospitalization, physicians' incomes and the utilization of services by type of provider, area, and the characteristics of recipients.

Drug abuse statistics.—An overall reduction of \$2.4 million for statistics related to drug abuse reflects the elimination or curtailment of provisional data programs and their replacement by more perma-

ment systems. The Alcoholism, Drug Abuse, and Mental Health Administration in the Department of Health, Education, and Welfare is now assuming responsibility for a greater share of drug abuse statistical activities with a transfer of activities from the Special Action Office for Drug Abuse Prevention.

Educational statistics.—The 1975 budget provides \$15.4 million for the statistical program of the National Center for Educational Statistics. The largest portion of this program will finance continued development of the national assessment of educational progress, an ongoing program to measure educational achievement in the United States. A continuation of the longitudinal study of the high school class of 1972 will yield additional information about the transition of young people from school to the world of work. A research and developmental effort will be undertaken to ascertain the need for and the most appropriate mechanism to gather information about the eligibility for and participation in federally sponsored education programs. The Center will also begin a new program to improve the quality and timeliness of statistics on elementary and secondary education.

Income maintenance and welfare statistics.—The major development in this area is the continued establishment of an adequate data base for the adult welfare programs for the aged, blind, and disabled which have now been federalized (\$1.0 million). This effort will include followup interviews with a panel of respondents first interviewed prior to initiation of the federalized program to provide comparisons of program impact on different population groups. Additionally, a longitudinal comparison of the status of beneficiaries and applicants will be obtained through the development of a continuing sample of all applicants for program benefits.

Criminal justice statistics.—The main programs in this field are crime victimization surveys to develop more complete and meaningful measures of crime against individuals and small businesses and a “crime transaction” statistics program to monitor the functioning of the criminal justice system. These programs will be stabilized in 1975 at the 1974 level. In addition, support will be provided in this field to expedite and control the data flow among States and the Federal Government (\$2.0 million).

Environmental statistics.—The Environmental Protection Agency (EPA) conducts a wide range of systematic surveys to establish sound information on air, water, noise, and pesticide pollutants and their impact on the environment. EPA’s surveys on the effect of air pollution on health will be expanded in 1975 to obtain an improved data base to establish ambient air standards (\$3.0 million). This \$3.0 million increase will be funded by diverting resources formerly used for several other environmental statistical programs. A new survey in this area will be conducted by the Bureau of Economic Analysis to provide estimates of expenditures by industry for pollution controls (\$167 thousand).

PERIODIC PROGRAMS

1977 Census of Governments.—Preparations for the 1977 Census of Governments will be continued in 1975. An important feature of the 1975 program will be a national survey of the information available in offices of tax recorders and assessors to test the feasibility of using this source as a basis for collecting taxable property value data.

1972 Economic Censuses.—The funds requested provide for the completion of the 1972 censuses. They will enable the Census Bureau to complete the tabulation and publication of the remaining volumes, and to evaluate the program. The censuses of manufactures, mineral industries, retail and wholesale trade, services, transportation, and other business, conducted every 5 years, provide a comprehensive description of economic activity at very detailed levels. These data are used by Government agencies for such diverse activities as the examination of the patterns of industrial organization, construction of input-output tables, and benchmarking current statistical series. Funding for 1975 will be reduced by \$10.0 million from the 1974 level.

1974 Census of Agriculture.—The 1974 Census of Agriculture will provide data on approximately 2.5 million farms and will include detail at the county level. Some modifications from the 1969 census will be made in the collection of data on energy use, farm organization, and farm operator characteristics.

Preparation for the Twentieth Decennial Census.—The funds requested for 1975 will provide for continuing preparation for the census of population and housing to be conducted in 1980. Planning will be initiated on improvements in the scheduling and control of operations, further decentralization of data processing, and the determination of changes in subject matter content and questionnaire design. Field pretests will be planned to test new means for extending the use of enumeration by mail in rural areas. As in previous censuses, evaluation studies will be prepared which compare alternative techniques for collection and processing.

Intercensal demographic estimates.—This program will provide estimates of population and per capita income for use by State and local governments between the decennial censuses. The estimates will be based on the 1970 Census, updated by data obtained from the administrative records of social insurance, tax, health, and other programs.

During 1975, population and income estimates will be completed for the States, counties, and local governments eligible for revenue sharing. In addition to their use in revenue sharing, the estimates will be used for the allocation of Federal and State funds, planning for public works, schools, and other public and private programs.

Geographic support for periodic programs.—As part of its preparation for the 1980 Census of Population and Housing, the Census Bureau will extend and improve its standard base maps and computerized address coding guide files. These resources, first employed in the 1970 Census, will reduce the enumeration costs of the next census and

contribute to the improved reliability of the data. The Census Bureau is assisted in this work by local governments which have found the address coding guide to be an important new management tool.

Electronic data processing improvements.—\$4.0 million is included in the 1975 Commerce Department budget to upgrade the complex data processing equipment of the Census Bureau. The benefits of this improvement will include increased speed, capacity, and productivity in data processing, and a reduction of maintenance expense and rerun time.

Revision of the Consumer Price Index.—Major progress is being made in 1974 toward completion of the decennial revision of the Consumer Price Index. Decisions have been reached on methodology for rent collection, outlet selection, and population to be covered in the revised index. The plan is to expand the reference population to include all consumer units within standard metropolitan statistical areas (SMSA's) and in urban areas outside of SMSA's. Decrease in funding for 1975 (—\$5.0 million) indicates completion of major field collection efforts for outlet selection and reweighting the index to reflect consumer expenditure patterns of the past 2 years. Tasks on which major progress will be made in 1975 include selection of revised item, outlet, and specification samples. In addition, BLS will initiate data collection from the revised sample of households from which information on rent and property taxes will be collected. The compilation and evaluation of a test index for the rent component of the CPI will be initiated.

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

Agency	1973 actual	1974 estimate	1975 estimate
CURRENT PROGRAMS			
Department of Agriculture:			
• Agricultural Research Service.....	0.4	0.3	0.5
• Economic Research Service.....	4.3	4.8	5.8
• Statistical Reporting Service.....	22.6	24.1	26.9
Department of Commerce:			
• Domestic and International Business Administration.....	5.1	5.1	5.5
• Economic Development Administration.....	.5	.2	.1
• National Marine Fisheries Service.....	2.6	2.5	2.6
• Social and Economic Statistics Administration ¹	34.1	41.0	50.0
Department of Defense:			
• Corps of Engineers.....	1.4	1.5	1.6

See footnotes at end of table.

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

Agency	1973 actual	1974 estimate	1975 estimate
CURRENT PROGRAMS—Continued			
Department of Health, Education, and Welfare:			
Health Resources Administration:			
National Center for Health Statistics.....	16.5	18.5	24.0
• Other Health Resources Administration.....	5.3	4.4	2.5
• National Institutes of Health.....	19.3	18.9	20.0
• Alcoholism, Drug Abuse, and Mental Health Administration.....	6.8	11.3	9.3
• Food and Drug Administration.....	2.4	2.8	3.3
• Center for Disease Control.....	3.1	2.5	2.5
• Health Services Administration.....	1.0	1.3	1.3
• Office of Education.....	15.2	16.2	15.4
• Social and Rehabilitation Service.....	1.4	2.2	2.4
• Social Security Administration.....	18.5	25.1	28.2
• Office of Assistant Secretary for Planning and Evaluation.....	3.6	2.7	2.7
• Department of Housing and Urban Development.....	7.0	8.3	9.3
Department of the Interior:			
• Bureau of Mines.....	2.4	2.6	2.9
• Bureau of Sport Fisheries and Wildlife.....	2.2	2.4	2.3
• Mining Enforcement and Safety Administration.....	1.5	1.6	1.6
• Office of Energy Data and Analysis.....	-----	-----	5.0
Department of Justice:			
• Law Enforcement Assistance Administration.....	16.5	18.9	20.8
• Federal Bureau of Investigation.....	1.5	1.9	2.1
• Drug Enforcement Administration.....	.6	.5	.5
Department of Labor:			
Bureau of Labor Statistics.....	34.9	39.1	47.0
• Manpower Administration.....	19.3	23.6	23.0
• Employment Standards Administration.....	.5	.5	.6
• Occupational Safety and Health Administration.....	4.8	5.1	5.5
Department of Transportation:			
• Office of the Secretary.....	.3	.5	3.2
• Federal Highway Administration.....	3.8	3.8	3.8
• Federal Railroad Administration.....	1.0	1.1	1.0
• National Highway Traffic Safety Administration.....	2.8	4.4	5.9
Department of the Treasury:			
• Office of the Secretary.....	2.8	.6	.1
• Internal Revenue Service.....	15.5	14.0	13.8
• U.S. Customs Service.....	2.3	2.5	3.1
• Civil Aeronautics Board.....	1.4	1.4	1.5
• Consumer Product Safety Commission.....	.3	6.7	5.1
• Environmental Protection Agency.....	20.3	19.4	20.1
• Federal Home Loan Bank Board.....	1.9	2.2	2.4
• Federal Power Commission.....	1.2	1.2	1.4
• Federal Trade Commission.....	.9	1.0	1.1
• Interstate Commerce Commission.....	.8	.8	.8
• National Science Foundation.....	2.4	2.6	2.3
• Securities and Exchange Commission.....	.5	.6	.6
• Special Action Office for Drug Abuse Prevention.....	3.8	1.0	1.0
Total current programs.....	317.3	353.7	392.4

See footnotes at end of table.

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

Agency	1973 actual	1974 estimate	1975 estimate
PERIODIC PROGRAMS			
Department of Commerce: Social and Economic Statistics			
Administration			
1972 Census of Governments.....	1.3	.9	.4
1977 Census of Governments.....			.4
1972 economic censuses.....	8.8	13.2	3.2
1974 Census of Agriculture.....		1.9	8.4
19th decennial census.....	13.2	1.4	.6
20th decennial census.....		.6	2.8
Intercensal demographic estimates.....		2.0	1.4
Geographic support.....			2.2
Computer, administrative, and other expenses.....	4.3	1.5	5.1
Department of Labor: Bureau of Labor Statistics:			
Revision of Consumer Price Index.....	8.0	10.7	6.2
Total periodic programs.....	35.6	32.2	29.7
Total principal statistical programs.....	352.9	385.9	422.1

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

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

SPECIAL ANALYSIS G

CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH

The decline in total Federal civilian employment since January 1969 has been substantial. The overall reduction in the executive branch from January 1969 through June 30, 1973, was 226,264 or 7.7%. Now, a leveling off in Department of Defense employment and increased requirements in the domestic agencies are bringing this downward trend to an end. There is expected to be a modest increase in total Federal employment of 20,200 between June 30, 1974, and June 30, 1975. Expanded coverage of social security, Federal assumption of the additional workload that is associated with adult welfare programs, increased health care, additional activities made necessary by the energy crisis, and population growth all combine to make some increase in employment unavoidable.

A basic objective of the New Federalism is to make the Federal system more efficient and responsive. The New Federalism calls for Federal support in meeting national problems and holds that State and local governments are best able to decide on local and statewide needs in accordance with State and local conditions and aspirations. This means, among other effects, consolidating grants to State and local governments and reducing the need for Federal employees to supervise the carrying out of programs. It also means that programs carried out directly by the Federal Government must be managed as efficiently as possible and kept under continuous scrutiny. Close scrutiny of the Federal workforce and its effective utilization is an integral part of this objective.

FULL-TIME PERMANENT CIVILIAN EMPLOYMENT

Full-time permanent civilian employment as of June 30, 1973, was 2,421,700. This is 63,000 less than the 1973 level estimated in the 1974 budget. The actual decrease from June 30, 1972, to June 30, 1973, was 83,997 or nearly 3.4%. From 1974 to 1975 full-time permanent employment is estimated to increase by about 22,200 or slightly less than 1%.

Nearly 7 out of every 10 full-time permanent employees in the executive branch are found in one of three agencies: (1) the Department of Defense (both civil and military functions), 41.0%; (2) the Postal Service, 21.4%; and (3) the Veterans Administration, 7.3%.

Table G-1 displays the yearend full-time permanent employment and projected changes, by agency.

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

Agency	As of June 30 ¹				Change 1974-75
	1973 actual	1974 estimate		1975 estimate	
		In 1974 budget	Current		
Agriculture.....	81,715	78,800	80,200	80,200	-----
Commerce.....	28,300	28,400	28,600	29,100	500
Defense—military functions.....	957,310	² 987,000	996,600	995,900	-700
Defense—civil functions.....	29,971	30,800	28,700	29,100	400
Health, Education, and Welfare.....	114,307	³ 4 120,200	⁴ 123,900	⁴ 126,200	2,300
Housing and Urban Development.....	15,820	13,900	14,800	14,200	-600
Interior.....	56,771	56,900	58,900	59,400	500
Justice.....	45,496	47,100	48,900	51,000	2,100
Labor.....	12,468	12,400	12,700	13,000	300
State.....	22,578	23,400	23,400	23,400	-----
Transportation.....	67,885	69,400	69,500	71,300	1,800
Treasury.....	98,087	104,000	104,700	111,400	6,700
Atomic Energy Commission.....	7,145	7,400	7,400	7,800	400
Environmental Protection Agency.....	8,270	9,200	9,200	9,200	-----
General Services Administration.....	35,721	37,800	37,200	38,000	800
National Aeronautics and Space Administration.....	25,955	25,000	25,000	24,600	-400
Veterans Administration.....	170,616	170,000	173,400	181,800	8,400
Other:					
Agency for International Development.....	10,108	9,900	9,900	9,500	-400
Civil Service Commission.....	5,911	6,000	6,100	6,300	200
Selective Service System.....	4,607	3,900	3,100	2,200	-900
Small Business Administration.....	4,050	4,100	4,100	4,300	200
Tennessee Valley Authority.....	13,995	14,000	14,000	14,400	400
Panama Canal.....	13,680	14,000	14,000	14,100	100
United States Information Agency.....	9,048	9,100	9,100	9,100	-----
Miscellaneous.....	34,603	35,800	37,300	37,600	300
Subtotal.....	1,874,417	1,918,500	1,940,700	1,963,100	22,400
Contingencies ⁵	-----	5,000	2,000	5,000	3,000
Subtotal.....	1,874,417	1,923,500	1,942,700	1,968,100	25,400
Postal Service.....	547,283	564,500	537,900	534,700	-3,200
Total.....	2,421,700	2,488,000	2,480,600	2,502,800	22,200

¹ Excludes disadvantaged youth, Public Service Careers trainees, and developmental positions under the Worker-Trainee Opportunity Program.

² Includes an adjustment of 31,000 for civilianization program.

³ Includes an increase of 15,000 for assumption of adult welfare programs by the Federal Government, and restoration of 3,400 for planned phasedown in Public Health Hospitals in 1974 (prevented by legislative enactment).

⁴ Excludes 4,000 positions involved in proposed transfer of St. Elizabeths Hospital to the District of Columbia.

⁵ Subject to later distribution.

Most major domestic agencies will have small increases from 1974 to 1975. A few will show larger increases in response to: (1) specific statutory requirements for veterans medical care; (2) expanded drug

enforcement activities; (3) increased requirements for social security and health services (other than veterans); and (4) additional workload for the Internal Revenue Service and the Customs Service.

TOTAL FEDERAL PERSONNEL

Full-time permanent employees will account for about 90% of all civilian employees in 1975. The remaining 10% is composed of part-time employees, intermittent employees (those employed on an irregular basis) and full-time temporary employees (those in positions occupied for less than a year). "Total Federal personnel" as used in table G-2 includes civilian employees of the legislative and judicial branches, the civilian employees of the executive branch (as previously described) and military personnel.

Table G-2. TOTAL FEDERAL GOVERNMENT EMPLOYMENT

Description	As of June		
	1973 actual	1974 estimate	1975 estimate
Civilian employment in the executive branch:			
Full-time permanent ¹	2,421,700	2,480,000	2,502,800
Other than full-time permanent ²	300,429	294,100	292,100
Military personnel on active duty:			
Department of Defense ³	2,251,928	2,174,100	2,152,100
Department of Transportation (Coast Guard).....	36,671	37,600	37,700
Subtotal.....	5,010,728	4,986,400	4,984,700
Legislative and judicial personnel.....	43,533	.....	.....
Total	5,054,261	.....	.....

¹ Excludes disadvantaged youth, Public Service Careers trainees, and developmental positions under the Worker-Trainee Opportunity Program.

² Excludes disadvantaged summer and part-time workers under the President's Youth Opportunity Campaign.

³ Excludes Reserve components.

PERSONNEL COMPENSATION AND BENEFITS

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

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

Description	1973 actual	1974 estimate ¹	1975 estimate ^{1 2}
Civilian personnel costs: ³			
Direct compensation.....	32,988	27,500	28,600
Personnel benefits.....	4,866	4,700	5,600
Total.....	37,854	32,200	34,200
Military personnel costs: ⁴			
Direct compensation.....	17,700	18,000	18,000
Personnel benefits.....	4,371	4,500	4,600
Total.....	22,071	22,500	22,600

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

² Excludes costs of \$2.6 billion for military and civilian pay raises in 1975. These estimates are based on projections; actual adjustments will be determined under statutory processes.

³ Excludes Members and officers of Congress.

⁴ Excludes Reserve components.

Obligations for civilian personnel compensation and benefits in 1975 are projected to be \$34.2 billion, excluding the Postal Service.

Under the Federal Pay Comparability Act salary rates for Federal employees under the "General Schedule" and most other statutory pay systems are adjusted periodically so as to achieve comparability with rates paid for the same work levels in private enterprise. The bases for these adjustments are appropriate annual surveys conducted on a nationwide basis by the Bureau of Labor Statistics. The estimated costs for civilian and military pay increases for 1975 are covered by lump sum allowances in the 1975 budget.

Current law provides that pay scales for blue-collar workers under the Federal wage-board system are to be adjusted annually so as to achieve rates corresponding to the prevailing area rates in private industry.

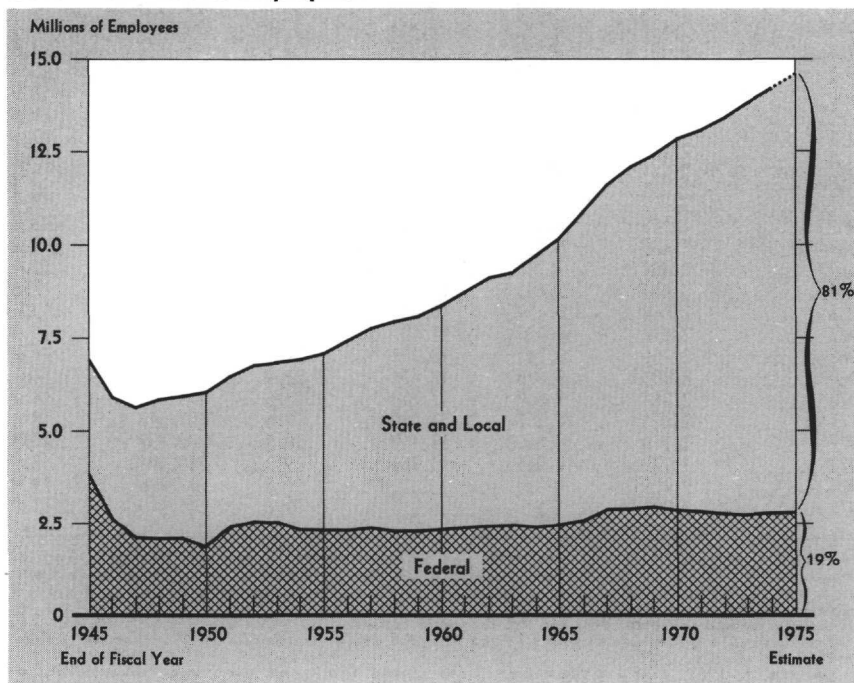
This budget includes the President's recommendations for salary adjustments for Members of Congress, Federal judges, Cabinet officers, and other agency heads, and certain other officials in the executive, legislative, and judicial branches, whose salaries have not been adjusted for 5 years. Under the President's recommendations, salaries for most of these officials would be increased by approximately 7.5% annually for 3 years, beginning in 1974. (The President's recommendations can be found in Part III of the Budget Appendix.) In addition, these recommendations will permit the ceiling on the four

highest grade civil service salaries to be raised thus easing the compression that has built up in the 5-year period since executive level salaries were last adjusted.

POPULATION AND GOVERNMENT EMPLOYMENT COMPARISONS

Relative to the total employment of all governmental units (Federal, State, and local), the proportion of Federal civilian employment has steadily declined since 1969 and, as the accompanying table G-4 and chart illustrate, this proportion is projected to be 19% in 1975.

Government Civilian Employment



In 1975, the ratio of Federal civilian employment, when compared to the Nation's population, is estimated to be 13.0 per thousand (table G-4).

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

Table G-4. GOVERNMENT EMPLOYMENT AND POPULATION, 1945-75

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
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	12.6
1951	2,456	4,031	6,487	37.9	154,878	15.7
1952	2,574	4,134	6,708	38.4	157,533	16.9
1953	2,532	4,282	6,814	37.2	160,184	13.5
1954	2,382	4,552	6,934	34.4	163,026	14.0
1955	2,371	4,728	7,099	33.4	165,931	13.4
1956	2,372	5,064	7,436	31.9	168,903	18.9
1957	2,391	5,380	7,771	30.9	171,984	13.4
1958	2,355	5,630	7,985	29.5	174,882	13.5
1959	2,355	5,806	8,161	28.9	177,830	13.2
1960 ²	2,371	6,073	8,444	28.1	180,671	13.1
1961	2,407	6,295	8,702	27.7	183,691	13.1
1962	2,485	6,533	9,018	27.6	186,538	13.3
1963 ³	2,490	6,834	9,324	26.7	189,242	13.2
1964 ³	2,469	7,236	9,705	25.4	191,889	12.9
1965	2,496	7,683	10,179	24.5	194,303	12.8
1966	2,664	8,259	10,923	24.4	196,560	13.6
1967	2,877	8,730	11,607	24.8	198,712	14.5
1968	2,951	9,141	12,092	24.4	200,706	14.7
1969 ⁴	2,980	9,496	12,476	23.9	202,677	14.7
1970 ²	2,884	9,869	12,753	22.6	204,819	14.1
1971 ²	2,823	10,257	13,080	21.6	207,049	13.6
1972	2,770	10,640	13,410	20.7	208,837	13.3
1973	2,722	11,065	13,787	19.7	210,404	12.9
1974 (est.)	2,775	(⁵)	-----	19.5	212,776	13.0
1975 (est.)	2,795	(⁵)	-----	19.0	215,513	13.0

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

² Includes temporary employees for the decennial census.

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

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

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

PART 2

FEDERAL SOCIAL PROGRAMS

INTRODUCTION

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

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

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

FEDERAL OUTLAYS FOR SELECTED SOCIAL PROGRAMS, 1975

[In millions of dollars]

Description	Outlays		
	Civilian agencies	Department of Defense	All agencies
Special analysis:			
H. Education.....	14,510	1,449	15,959
I. Manpower.....	4,829	-----	4,829
J. Health.....	32,495	3,045	35,540
K. Income security.....	123,689	6,218	129,907
L. Civil rights.....	3,465	66	3,531
M. Reduction of crime.....	2,953	-----	2,953
Subtotal.....	181,941	10,778	192,719
Deduction for duplications included above.....			-22,926
Total.....			169,793

Some activities of the Government serve more than one social purpose; for example, the Medicare and Medicaid programs may be considered as a part of both the Federal health and income security programs. An estimate of \$19,565 million for 1975 is included in both the health and income security categories. Thus, in adding the six categories to a total, a deduction must be made to avoid double counting.

SPECIAL ANALYSIS H

FEDERAL EDUCATION PROGRAMS

Federal expenditures for education-related programs will reach \$16 billion in 1975. In school year 1972-73, Federal expenditures for education were approximately 11% of total educational expenditure in the United States. These programs provide aid to States and localities, to institutions of higher education, to students, and also include some direct Federal activities.

The amounts included are those which are directed toward supporting student-teacher relationships for the transmission of organized knowledge or the provision of services to the community at large aimed at expanding individuals' opportunities for professional or career advancement. The analysis is organized by Federal goal served, by level of education, and by type of support. The analysis this year covers all Federal programs which have the direct support of educational activities as a major purpose, or which involve the use of educational resources to achieve other purposes. It excludes this year amounts for noneducational research conducted at academic institutions because they do not fall within the purposes described above.

OVERVIEW: 1975

Total Federal education outlays will reach an estimated \$16 billion in 1975, an increase of \$500 million over estimated 1974 outlays, and \$2.4 billion over 1973 outlays.

Outlays for programs directed toward national education goals are estimated for 1975 at \$8.5 billion, \$820 million above the estimated 1974 level. Outlays for elementary and secondary education will reach an estimated \$4.8 billion in 1975, \$340 million above their 1974 levels. Consolidated education grants will account for 40% of this total.

Outlays for higher education student support programs in the Office of Education will reach an estimated \$1.6 billion in 1975, an increase of 25% above the 1974 level, and 60% above the 1973 level.

Substantial Federal expenditures for education are directed toward purposes which are not primarily education. The Federal Government invests in the education of specialized manpower for many activities, the largest of which is defense, the second largest, health. An estimated \$7.2 billion will be spent in 1975 which are education activities but which are directed toward other basic purposes. The 1975 estimate is \$334 million lower than the 1974 level of \$7.5 billion. The largest components of this change are not made up of reduced benefits. They include the effects of decreases in the GI bill workload in 1975 and decreases in health manpower education.

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

Table H-1. FEDERAL OUTLAYS FOR EDUCATION

Purpose and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Federal outlays—national education goals:			
Consolidated education grants.....			1,910
Elementary and secondary education.....	1,820	2,062	684
Federally affected areas.....	580	547	482
Other elementary and secondary (OE).....	1,162	1,457	1,139
Basic opportunity grants.....		102	488
Other higher education student support (OE).....	1,035	1,102	1,122
Other higher education (OE).....	394	415	397
National Institute of Education.....	36	96	113
Student grants (OASDI).....	862	969	1,157
Office of Child Development.....	373	396	421
Other.....	546	567	620
Subtotal, national education goals.....	6,808	7,713	8,533
Federal outlays—education support for other basic purposes:			
Health manpower.....	604	655	563
Veterans readjustment.....	2,519	2,923	2,551
Defense.....	1,047	1,146	1,192
Child nutrition and related.....	1,298	1,674	1,789
Other.....	1,066	1,095	10,064
Subtotal, education support for other purposes.....	6,534	7,493	7,159
Federal outlays—salary supplements.....	211	244	267
Total, education outlays.....	13,553	15,450	15,959
Amounts previously carried for academic research not directed toward educational objectives.....	1,840	2,030	2,160

CONSOLIDATION AND REFORM

The basic provision of education remains a responsibility of States and local communities. The Federal role lies in the realm of innovation and improvement in the educational process, as well as insuring equality of educational opportunity for all citizens.

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

- Consolidation of narrow categorical grant programs to provide greater flexibility to States and local educational authorities in adapting Federal funding to local requirements.
- Full funding of basic educational opportunity grants in 1975 to increase postsecondary education opportunities for 1.6 million students.

Consolidated education grants.—This program, expected to be authorized by three pieces of new legislation, will merge existing programs and will be funded for the first time for school year 1974–75. The basic aim of this program is to restructure existing categorical

authorities into grant programs that provide the States and local authorities greater authority and responsibility in determining their own educational priorities and focusing Federal funds on these needs. Broad areas of emphasis will be designated for funding. It will initially be funded through supplemental appropriations, permitting the program to be forward funded.

Table H-2. **OUTLAYS FOR CONSOLIDATED EDUCATION GRANTS**
(in thousands of dollars)

	1975 estimate
Outlays:	
Disadvantaged.....	1,260,800
Handicapped.....	38,200
Vocational.....	382,000
Adult.....	56,300
Innovation.....	85,000
Support services.....	88,100
Total.....	1,910,400

Student assistance in higher education.—The goal of equal educational opportunity has the greatest funding priority in higher education. This commitment is reflected by the Administration proposal to fully fund basic educational opportunity grants in 1975 at \$1.3 billion to insure that no qualified student will be denied a college education for lack of money.

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

More than 1.6 million needy students will be aided by the basic grants in 1975, which will be supplemented by the existing work study and loan programs. The college work study program at a 1975 level of \$250 million, will benefit over 520,000 students. The guaranteed student loan program will provide loans of \$1.25 billion to about one million students, at a Federal cost of \$314 million. As the demand for loans is met by the guaranteed loan program, the direct student loan program will decrease and provide \$298 million to 330,000 students, as repayment of previously loaned funds are used to make new loans.

National Institute of Education.—The Institute (NIE) will continue to explore research strategies in education, and serve as a focal point for educational research and experimentation. This research will focus on the areas of: (a) provision of essential skills such as reading to all citizens, (b) improvement of the productivity of resources in education, (c) improvement of the relationship of education to work and careers, (d) increased capability of education systems to solve education problems, (e) equal opportunity in American education.

Research results will be disseminated to educational authorities so that they can determine what will work best in their individual schools. In 1975, NIE outlays for educational research and development will be \$113 million.

OTHER PROGRAM DEVELOPMENTS

Health manpower.—Federal health manpower assistance will be reoriented to emphasize assisting students to finance their educational costs, and to reduce unnecessary Federal subsidies.

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

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

NATIONAL EDUCATION GOALS

National education purposes are estimated to account for \$8.5 billion of educational expenditures in 1975. Of this total, over \$4.8 billion, or 56%, will be spent at the elementary and secondary education levels. Higher education will benefit from \$3.1 billion or 36% of the total. The remainder is directed toward adult and continuing education, public libraries, research, and some cultural activities.

Most Federal expenditures for education at the elementary and secondary school levels are provided through the activities of the Office of Education. In 1975, Office of Education programs account for \$3.6 billion or 75% of the total level of \$4.8 billion. In 1975, under Administration proposals, \$1.9 billion of Office of Education programs are covered in the Consolidated Education Grants program.

Under programs in other agencies, an estimated \$1.1 billion will be spent in 1975 for elementary and secondary education. Office of Child Development activities account for \$421 million mostly in the Head Start program. Under the social security system (OASDI), persons between the ages of 18 and 22 will continue to receive benefits if they are students. These funds are a legal entitlement of the recipient student and will be paid directly to the student on his request. In

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

Level and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Elementary and secondary:			
Consolidated education grants.....			1,910
Elementary and secondary education.....	1,820	2,062	684
Federally affected areas.....	580	547	482
Emergency school assistance, general grants.....	4	106	127
Other ESA.....	37	87	106
Educational development.....	142	191	120
Education for the handicapped.....	106	96	121
Occupational and vocational education.....	355	335	194
Office of Child Development.....	373	396	421
Student grants (OASDI).....	224	252	301
Bureau of Indian Affairs.....	140	138	149
Other.....	161	266	202
Subtotal, elementary and secondary.....	3,942	4,476	4,817
Higher education:			
Basic opportunity grants.....		102	488
Work-study and supplemental grants.....	542	470	510
Guaranteed student loans.....	206	327	314
Direct student loans.....	287	305	298
Student grants (OASDI).....	638	717	856
Construction loans and grants.....	159	71	57
Disadvantaged students and developing institutions.....	85	144	160
Occupational and vocational education.....	160	146	72
Special institutions.....	79	81	75
National Science Foundation.....	43	41	39
College teacher fellowships.....	26	21	10
Other.....	156	213	202
Subtotal, higher education.....	2,381	2,638	3,081
Adult and continuing education:			
Occupational and adult education (OE).....	91	101	46
Public libraries (OE).....	20	60	38
Library of Congress.....	60	68	74
National Foundation on the Arts and the Humanities.....	14	28	48
Corporation for Public Broadcasting.....	19	22	27
Other.....	185	180	234
Subtotal, adult and continuing education.....	389	459	467
Other:			
Office of Education salaries and expenses.....	66	97	117
Smithsonian Institution.....	30	43	51
Subtotal, other.....	96	140	168
Total.....	6,808	7,713	8,533

1975, an estimated \$301 million of social security payments will be made to eligible students.

The Federal Government additionally aids or directly provides education for certain groups such as Indians, Cuban refugees and residents of Pacific territories. The National Science Foundation

and the National Foundation on the Arts and the Humanities also have activities at the elementary and secondary school levels.

An estimated \$3.1 billion will be spent in 1975 for higher education, an increase of 17% over estimated 1974 levels. Expenditure for higher education will be 36% of total expenditures for education goals. The Office of Education will provide \$1.9 billion out of the \$3.1 billion total.

Student support accounts for the majority of the funds for educational purposes at this level. In 1973, Office of Education student support programs (work-study and supplementary grants, guaranteed student loans and direct student loans) constituted 42% of the total, \$1,035 million. In 1975, under Administration proposals, Office of Education student expenditures will reach \$1,610 million, an increase of 60% over the 2-year period. Social security benefits to students at institutions of higher education will provide an additional \$856 million of student support in 1975, an increase of \$139 million over 1974 levels and \$218 million over 1973 levels. Funds for college construction loans and grants will fall to an estimated \$57 million in 1975, compared to \$71 million in 1974. The focus of aid in higher education will be shifted from institutional support to direct student support with the full funding of the basic opportunity grants.

Outlays in 1975 for adult and continuing education and other educational activities reflect to some extent the replacement of categorical grant programs by consolidated education grants. Various Federal activities such as the Library of Congress and the Smithsonian Institution are included in this category. The total outlays in 1975 for these activities are estimated at \$467 million.

EDUCATION SUPPORT FOR OTHER PURPOSES

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

The largest single program in this category is veterans readjustment benefits (the GI bill). Veterans readjustment is a means of redressing postservice job and educational inequities. Expenditures reflect estimated utilization of program benefits by entitled veterans. These outlays are estimated at \$2.5 billion in 1975. This represents a decrease of \$370 million from 1974 levels. In 1975, the reduction in Armed Forces separations leads to a decreasing workload, and therefore a reduced estimate of expenditure.

School lunch, school breakfast, school milk, and other programs benefiting schoolchildren nutritionally accounted for \$1.3 billion in 1973. In 1975, the level is expected to reach \$1,789 million.

The GI bill and child nutrition programs will constitute an estimated 60% of outlays for other purposes in 1975. Of the remaining programs, \$1.0 billion or 14% will be accounted for by manpower training for specialized purposes. The largest single program for training is defense. The Department of Defense trains personnel already in service, and trains future service personnel through the Reserve Officers Training Corps and in the service academies. These outlays are estimated to reach \$725 million in 1975, an increase of 5% over estimated 1974 levels.

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

Level and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Elementary and secondary:			
Child nutrition.....	1,298	1,674	1,789
Comprehensive Manpower Assistance.....	159	113	143
Model cities.....	93	93	35
Other.....	126	145	159
Subtotal, elementary and secondary.....	1,676	2,025	2,126
Higher education:			
Veterans readjustment.....	2,016	2,452	2,141
Military service academies.....	246	252	261
Reserve Officers Training Corps.....	156	169	174
Alcohol, Drug Abuse, and Mental Health Administration.....	90	80	84
Health manpower (NIH).....	604	655	563
Other National Institutes of Health.....	143	171	171
Other.....	164	179	144
Subtotal, higher education.....	3,419	3,958	3,538
Adult and continuing education:			
Agriculture extension service.....	186	207	207
Veterans readjustment.....	459	419	366
Other.....	69	74	58
Subtotal, adult and continuing education.....	714	700	631
Training of Federal military employees:			
Defense.....	620	692	725
Coast Guard.....	22	19	19
Subtotal, training of Federal military employees.....	642	711	744
Other.....	83	99	120
Total.....	6,534	7,493	7,159

An additional \$120 million in 1975 will be provided for training of specialized personnel in State, local, and private sector activities which are not military or health related. These include training for merchant marine, for law enforcement officers, for persons in various scientific fields, and for social workers.

SALARY SUPPLEMENTS

Salary supplements in the form of allowances or direct provision of education for Federal employees or for their dependents will reach an estimated \$267 million in 1975. These supplements consist almost entirely of Defense Department expenditures for overseas dependents education and for off-duty education of military personnel. The two programs will account for \$257 million of outlays in 1975, an increase of \$23 million over their 1974 levels.

Table H-5. FEDERAL EDUCATION OUTLAYS FOR SALARY SUPPLEMENTS

Level and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Total, salary supplements.....	211	244	267
Elementary and secondary.....	186	215	238
Higher education.....	1	1	1
Adult education.....	21	25	25
Other.....	3	3	3
Defense:			
Overseas dependents education.....	181	209	232
Off-duty military personnel.....	21	25	25
Canal zone dependents education.....	6	7	7
State: Dependents education.....			
USIA: Training.....	3	3	3

EDUCATIONAL PERSONNEL TRAINING AND RESEARCH

Educational personnel training and research is funded under many programs already identified as directed to education goals. They account for a small part of total education expenditures by the Federal Government. Outlays for this purpose, in programs directed toward educational goals, are estimated to reach \$599 million in 1975, or 4% of all education-related expenditures.

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

Program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Education personnel training:			
Educational development.....	111	106	62
Emergency school assistance.....	6	16	21
Education for the handicapped.....	28	24	43
College teacher fellowships (OE).....	30	27	14
Occupational, vocational and adult education.....	15	13	36
Office of Child Development.....	18	19	19
National Science Foundation.....	20	14	11
Other.....	7	10	18
Subtotal, education personnel training.....	235	229	224
Educational research:			
Educational development.....	116	131	85
Education for the handicapped.....	26	25	35
Occupational and adult education.....	54	46	35
National Institute of Education.....	36	96	113
National Foundation on the Arts and Humanities.....	16	26	39
National Science Foundation.....	20	35	38
Other.....	11	15	30
Subtotal, educational research.....	279	374	375
Total.....	514	603	599

The Office of Education funds most of the educational training and the National Institute of Education funds a significant part of educational research through a wide range of programs. The Office of Education will provide 79% of the money for personnel training in 1975; the National Institute of Education will provide 30% of the funds for research in 1975.

EDUCATIONAL LEVEL OF SUPPORT

Almost half of Federal funds for education are directed to elementary and secondary education. Of this total 70% are provided through programs with directly educational goals. Some 42% of funds go to higher education, with 46% in programs whose primary goal is education.

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

Level and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Elementary and secondary:			
Education.....	3,940	4,476	4,821
Other basic purposes.....	1,676	2,025	2,126
Salary supplements.....	186	215	238
Total, elementary and secondary.....	5,802	6,716	7,185
Higher education:			
Education.....	2,381	2,638	3,083
Other basic purposes.....	3,419	3,958	3,538
Salary supplements.....	1	1	1
Total, higher education.....	5,801	6,597	6,622
Adult and continuing education:			
Education.....	258	380	398
Other basic purposes.....	716	702	631
Salary supplements.....	21	25	25
Total, adult and continuing education.....	995	1,107	1,054
Other:			
Education.....	227	219	231
Other basic purposes.....	725	808	864
Salary supplements.....	3	3	3
Total, other.....	955	1,030	1,098
Total, outlays for education.....	13,553	15,450	15,959

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

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

Sublevel and type of support	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Total, elementary and secondary.....	5,802	6,716	7,185
Early childhood.....	491	568	666
Elementary and secondary.....	5,070	5,820	4,302
Supporting services.....	241	328	307
Consolidated education grants.....			1,910
Disadvantaged.....			1,261
Handicapped.....			38
Vocational.....			382
Adult.....			56
Innovation.....			85
Support services.....			88
Current operations.....	5,037	5,807	4,277
Facilities and equipment.....	140	166	216
Student support.....	284	326	365
Education personnel training.....	194	186	202
Education research.....	147	231	215
Consolidated education grants.....			1,910
Disadvantaged.....			1,261
Handicapped.....			38
Vocational.....			382
Adult.....			56
Innovation.....			85
Support services.....			88

The outlays in support of higher education are generally not channeled through a State or local government. Instead, grants or loans are made directly to the educational institution or to the student who then chooses which institution to attend. Federal support to higher education is undergoing a transition from emphasis on institutional support to one of direct student assistance. In 1975 an estimated \$5,149 million or 78% of total outlays for higher education will be direct grants or subsidies on loans to students. Some \$1.4 billion are estimated to go to institutions for current operations or facilities and equipment.

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

Type of institution and support	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Total, higher education.....	5,801	6,597	6,622
2-year institutions.....	1,302	1,614	1,616
Other undergraduate.....	3,220	3,662	3,780
Graduate and professional and other.....	1,279	1,321	1,226
Current operations.....	1,010	1,137	1,064
Facilities and equipment.....	491	395	312
Student support.....	4,221	4,948	5,149
Education personnel training.....	46	43	32
Educational research.....	33	74	65

There is a shift also in the level of educational institutions benefiting from Federal education expenditures. Outlays for 2-year and 4-year institutions will increase \$1.9 billion from 1973 to 1975, almost entirely accounting for the increase in Federal outlays for higher education over the 2-year interval. More than half of higher education funds are estimated to go to 4-year undergraduate institutions in 1975. Of the remainder, \$1.6 billion will go to 2-year institutions and \$1.2 billion to graduate and professional schools. Graduate and professional education will account for 28% of total higher education support in 1975.

STUDENT SUPPORT

About \$5.1 billion of student support will be available in 1975, 88% of which will be undergraduate student assistance. The GI bill will provide 43% of student assistance. The Office of Education will provide another 31% or an estimated \$1.6 billion through various grant, loan, and work-study programs.

The Office of Education estimates that 3.5 million student grants and loans will be made in 1975 under its programs. Students receiving aid under more than one program account for at least one-third of this total. The number of students aided is estimated to increase about 25% from 1974 to 1975 after allowances for program overlap are taken into account.

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

Agency	Outlays (millions)			Students (thousands)		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Undergraduate:						
Health, Education, and Welfare:						
Office of Education.....	999	1,162	1,565	2,395	2,707	3,370
Social Security Administration.....	638	717	856	469	484	508
Health agencies and other.....	53	60	42	60	59	44
Veterans Administration.....	1,716	2,091	1,825	1,056	1,249	1,046
Defense.....	113	125	130	47	48	50
Justice.....	31	34	33	77	77	78
Other.....	41	62	41	17	15	16
Subtotal, undergraduate ¹	3,591	4,251	4,492	-----	-----	-----
Graduate:						
Health, Education, and Welfare:						
National Institutes of Health.....	93	108	111	57	51	43
Office of Education.....	36	37	39	160	146	155
Other.....	137	133	138	16	15	15
Veterans Administration.....	300	362	316	185	214	179
National Science Foundation.....	20	13	10	3	2	2
Other.....	18	16	17	25	23	20
Subtotal, graduate ¹	-----	-----	-----	-----	-----	-----
Total.....	604	669	631	-----	-----	-----

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

OUTLAYS BY EDUCATIONAL SUBLEVEL

In order to provide data in a form comparable with previous education special analyses for 1973 and earlier, the following tables are provided which display program and agency outlays by education sublevels in 1973, 1974, and 1975.

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

Sublevel, agency and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Early childhood:			
Child nutrition and related.....	39	59	127
Head Start.....	373	396	421
Other.....	79	113	118
Subtotal, early childhood.....	491	568	666
Elementary and secondary:			
Child nutrition and related.....	1,232	1,574	1,619
Defense.....	199	235	257
Office of Education:			
Consolidated education grants.....			1,910
Elementary and Secondary Education.....	1,820	2,062	684
Federally affected areas.....	580	547	482
Emergency school assistance, general grants.....	4	106	127
Other ESA.....	37	87	106
Education for the handicapped.....	41	38	19
Occupational and vocational education.....	355	335	194
Student grants (OASDI).....	224	252	301
Bureau of Indian Affairs.....	140	138	149
Comprehensive manpower assistance.....	159	113	143
Model cities.....	93	93	35
Veterans readjustment.....	44	51	44
National Science Foundation.....	27	24	23
Other.....	115	165	122
Subtotal, elementary and secondary.....	5,070	5,820	6,212
Supporting services:			
Office of Education:			
Educational development.....	142	191	120
Education for the handicapped.....	52	42	74
National Institute of Education.....	20	48	64
Child nutrition and related.....	27	41	43
Subtotal, supporting services.....	241	328	307
Total.....	5,802	6,716	7,185

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

Sublevels, agency and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
2-year institutions:			
National Institutes of Health			
Office of Education:			
Basic opportunity grants.....		51	244
Other student support.....	192	215	217
Occupational and vocational education.....	160	146	72
Other.....	56	77	78
Student grants (OASDI).....	69	76	93
Veterans readjustment.....	759	982	857
Other.....	66	67	55
Subtotal, 2-year institutions.....	1,302	1,614	1,616
Other undergraduate:			
Military service academies.....	246	252	261
Reserve officers training corps.....	156	169	174
Health manpower (NIH).....	64	170	126
Office of Education:			
Basic opportunity grants.....		51	244
Work-study and supplementary grants.....	423	367	364
Guaranteed student loans.....	124	196	189
Direct student loans.....	245	260	254
Construction loans and grants.....	128	56	44
Disadvantaged students and developing institutions.....	69	118	128
Other.....	67	90	130
Student grants (OASDI).....	569	641	763
Special institutions.....	53	49	40
Bureau of Indian Affairs.....	20	19	22
Community development (HUD).....	18	18	7
Veterans readjustment.....	957	1,108	968
National Foundation on the Arts and Humanities.....	5	10	12
National Science Foundation.....	17	19	20
Other.....	59	72	34
Subtotal, other undergraduate.....	3,220	3,662	3,780
Graduate and professional:			
Alcohol, Drug Abuse, and Mental Health Administration.....	90	80	84
Health manpower (NIH).....	540	485	437
Other National Institutes of Health.....	144	172	171
College teacher fellowships (OE).....	26	21	10
Other Office of Education.....	95	114	115
Social and Rehabilitation Service.....	30	27	27
Howard University.....	26	32	35
Veterans readjustment.....	300	362	316
National Science Foundation.....	26	22	19
Other.....	2	6	12
Subtotal, graduate and professional.....	1,279	1,321	1,226
Total.....	5,801	6,597	6,622

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

Sublevel, agency and program	Outlays (millions)		
	1973 actual	1974 estimate	1975 estimate
Adult basic and extension:			
Agriculture extension service.....	186	207	207
Office of Education.....	91	101	46
Veterans readjustment.....	459	419	366
Other.....	70	83	67
Subtotal, adult basic and extension.....	806	810	686
Public and national library services:			
Library of Congress.....	60	68	74
Library resources (OE).....	20	60	38
National Library of Medicine.....	24	24	24
Other.....	24	49	58
Subtotal, public and national library services.....	128	201	194
Training of Federal, State, and local civilian employees:			
Commerce.....	8	8	10
Justice.....	7	10	11
Other.....	14	17	37
Subtotal, training of public civilian employees.....	29	35	58
Training of Federal military employees:			
Defense.....	617	688	723
Coast Guard.....	22	19	19
Subtotal, training of Federal military employees.....	639	707	742
Foreign educational activities:			
Agency for International Development.....	1	1	-----
Defense.....	3	4	2
State.....	27	29	32
Subtotal, foreign educational activities.....	31	34	34
Other:			
Office of Education, salaries and expenses.....	66	97	117
National Institute of Education.....	19	38	41
Corporation for Public Broadcasting.....	19	22	27
National Foundation on Arts and Humanities.....	14	28	48
Smithsonian Institution.....	30	43	51
Other.....	169	122	154
Subtotal, other.....	317	350	438
Total.....	1,950	2,137	2,152

Table H-14. FEDERAL FUNDS FOR EDUCATION BY AGENCY

Agency	Outlays (millions)			Budget authority (millions) 1975
	1973 actual	1974 estimate	1975 estimate	
Legislative branch:				
Library of Congress.....	60	68	74	79
Funds appropriated to the President:				
International Development Assistance.....	24	22	18	79
Other.....	47	52	72	76
Agriculture.....	1,488	1,886	2,001	1,987
Commerce.....	11	14	15	16
Defense—Military.....	1,242	1,373	1,442	1,451
Defense—Civil.....	6	7	7	7
Health, Education and Welfare:				
Office of Education.....	4,992	5,685	6,222	6,004
Other HEW.....	2,338	2,625	2,748	2,416
Housing and Urban Development.....	155	129	33	36
Interior.....	194	192	207	210
Justice.....	51	61	61	60
Labor.....	159	113	143	43
State.....	33	36	40	41
Transportation.....	26	21	22	24
Treasury.....	3	7	25	23
Atomic Energy Commission.....	6	5	6	6
Environmental Protection Agency.....	10	9	6	5
General Services Administration.....	3	3	3	3
National Aeronautics and Space Administration.....	4	2	2	2
Veterans Administration.....	2,519	2,923	2,551	2,549
Other Independent Agencies:				
Action.....	22	21	23	24
Corporation for Public Broadcasting.....	19	22	27	55
National Foundation on the Arts and Humanities.....	31	53	82	102
National Science Foundation.....	71	68	68	72
Smithsonian Institution.....	30	43	51	52
United States Information Agency.....	3	3	3	3
Canal Zone.....	6	7	7	19
Total.....	13,553	15,450	15,959	15,434

SPECIAL ANALYSIS I
FEDERAL MANPOWER PROGRAMS

SCOPE OF THIS ANALYSIS

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

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

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

The 1975 budget provides \$4.8 billion for manpower programs. Anticipated enrollment in manpower program training and employment (excluding in-school work experience) in 1975 is 2,286,000, up 13% from 1974.

MAJOR PROGRAM DELIVERY CHANGE

The delivery system for the Nation's largest single manpower appropriation was radically changed in December 1973 with the passage of the Comprehensive Employment and Training Act (CETA).

CETA is the culmination of 5 years of effort to secure legislation to reform a score of categorical manpower programs authorized primarily by the Manpower Development and Training Act and Title I of the Economic Opportunity Act. CETA replaces those statutes and provides for distribution of most funds in flexible grants to States and local governments. It is a substantial achievement in the movement toward special revenue sharing goals of decentralized and decategorized domestic programing. Funds are allocated among States and localities by a formula taking into account funding levels from prior years and relative proportions of the unemployed and of low-income adults. The act further authorizes nationally directed programs for Indians and migrant and seasonal farmworkers, continues the Job Corps residential training program, and provides for continued experimentation, research, and development of improved manpower planning and operating techniques.

Appropriations under this legislation are reflected in the budget documents under Department of Labor, Comprehensive Manpower Assistance (CMA).

PROGRAM APPROACHES

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

- On-the-job training—provides training for regular job vacancies generally by reimbursing employers for the added costs of hiring and training low-skilled individuals.
- Institutional training—provides instruction in vocational skills and remedial education in a classroom setting.
- Vocational rehabilitation—helps individuals overcome physical and mental handicaps.
- Work support—provides work experience for youth and older workers as well as transitional public service employment for unemployed individuals.
- Labor market services and program direction—encompasses services to assist individuals in obtaining employment plus administration of the range of manpower programs. It includes child care, supportive services, counseling, and the range of Employment Service activities.

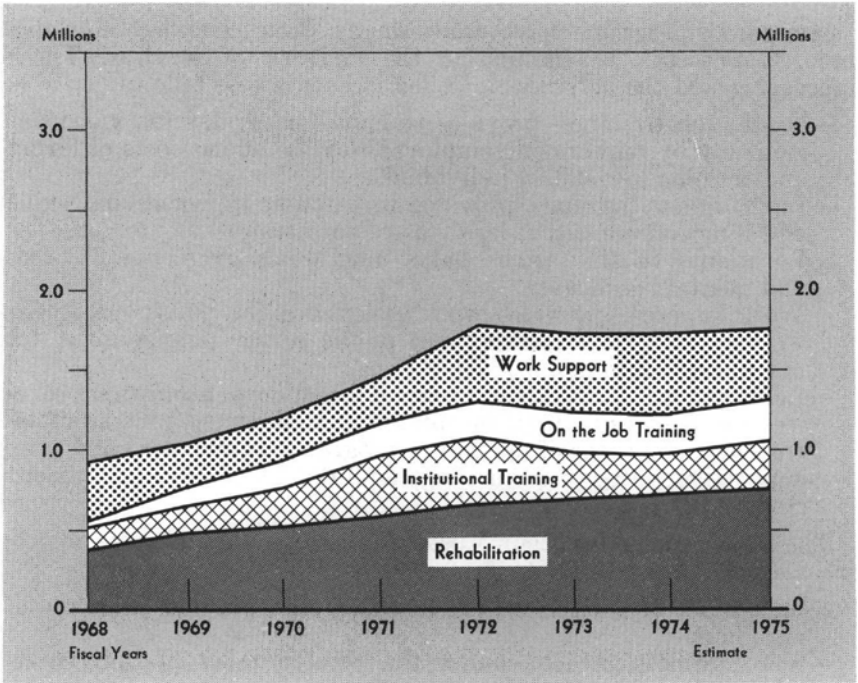
The three principal measures used to describe the delivery of program services are:

- man-years of service, which measures the average year round enrollment;
- new enrollees, which counts the total number of individuals who are enrolled throughout the year.
- outlays, which measures the level of expenditures during a fiscal year;

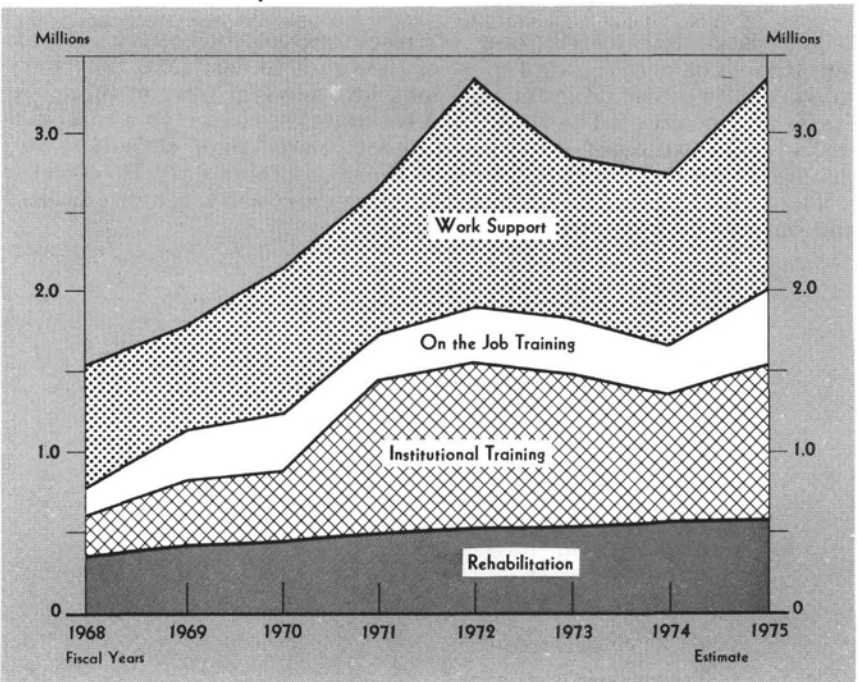
The estimated distribution of resources among approaches is tentative. The actual use of most of the funds under CMA may vary substantially since program decisions are now the responsibility of States and localities. The 1975 CMA estimates are based on a combination of 1974 estimates, experience under related pilot activities, and the preferences of local officials as outlined in preliminary 1975 plans.

The following charts summarize man-years of service, new enrollees and outlays by approach.

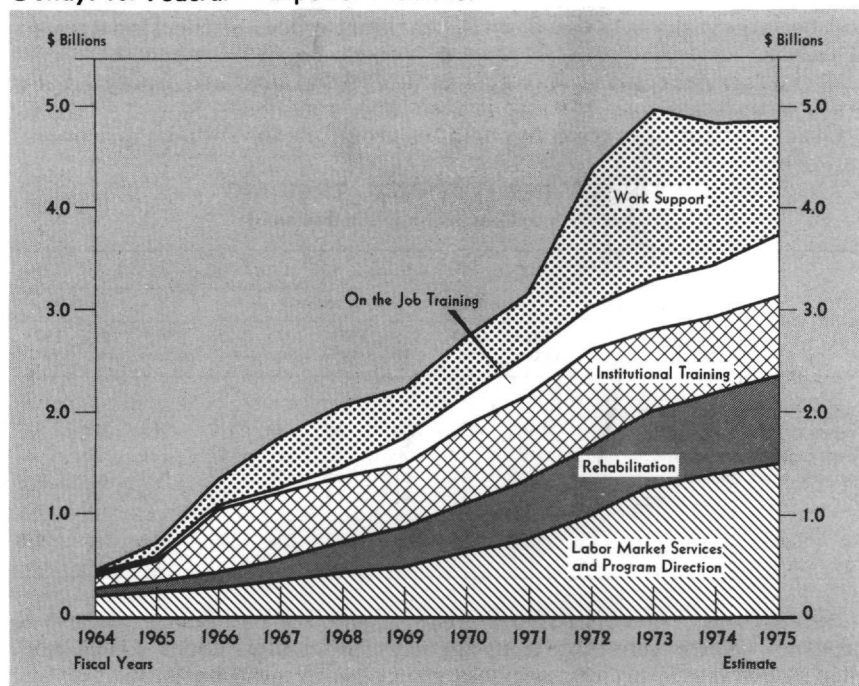
Man-Years of Service in Manpower Activities



New Enrollees in Manpower Activities



Outlays for Federal Manpower Activities



On the job training (OJT).—OJT involves the enrollee in a real work-setting. It encourages the employer to continue the individual on the regular employment rolls once reimbursement of extraordinary costs has ended.

Table I-1. ON-THE-JOB TRAINING
(outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Comprehensive manpower assistance.....	247	211	302	120	91	129	229	190	386
Work incentive program.....	33	44	45	6	12	12	24	18	16
On-the-job training for veterans..	199	245	241	106	123	115	88	99	66
Other.....	12	12	6	3	3	2	9	8	2
Total.....	491	512	594	235	229	258	350	315	470

Institutional training.—Included in this approach is the Job Corps, a specialized program for youth aged 14 to 21 conducted in a residential setting. Now authorized by the CETA, in 1975 the Job

Corps will continue to be administered federally, but management will be largely decentralized to the regional offices of the Department of Labor.

Social services institutional training programs are operated by State welfare agencies for public assistance recipients.

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

Table I-2. INSTITUTIONAL TRAINING
(outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Comprehensive manpower assistance.....	598	587	633	88	88	117	204	214	338
Work incentive program.....	71	49	50	30	17	17	101	30	32
Social services training.....	58	41	61	163	147	159	600	500	550
Other.....	55	51	41	19	14	12	49	45	38
Total.....	782	728	785	300	266	305	954	789	958

Vocational rehabilitation.—Under the HEW Federal-State VR program, State rehabilitation agencies determine client needs and either deliver or purchase services on a case-by-case basis.

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

Table I-3. VOCATIONAL REHABILITATION
(outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
HEW vocational rehabilitation...	636	715	770	682	704	735	503	535	554
Veterans vocational rehabilitation...	88	88	94	15	15	15	19	19	18
Total.....	724	803	864	697	719	750	522	554	572

Work support.—Under CETA, in addition to traditional post-school work experience, transitional public service employment is authorized both for regular prime sponsor grants and for special grants for areas with high unemployment. In-school and summer work

support are also authorized, providing income and work experience as well as helping ease the adjustment to regular adult employment. Similar in-school and summer programs are also supported by the Department of Health, Education, and Welfare and the Civil Service Commission.

Table I-4. **WORK SUPPORT** (outlays in millions, individuals in thousands)

Program	Outlays			Individuals served					
				Man-years			New enrollees		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Comprehensive manpower assistance— <i>in-school</i>	295	289	394	189	199	256	554	647	985
Comprehensive manpower assistance— <i>postschool</i>	248	311	573	71	99	139	135	225	250
Emergency employment assistance.....	1,005	631	-----	148	119	-----	188	104	-----
Work incentive program.....	15	29	29	8	9	9	28	32	30
Other.....	103	108	98	67	72	38	76	70	53
Total	1,666	1,368	1,094	483	498	442	981	1,078	1,318

Labor market services.—Labor market services is composed of: Job placement assistance; antidiscrimination activities; and supportive services.

Job placement assistance.—The Federal-State Employment Service (ES), is the major deliverer of job placement assistance. Placement services are provided for the general labor force, including the disadvantaged.

Employment Service offices use computerized job banks in most major labor markets.

The WIN program will register an estimated 816,000 recipients of Aid to Families With Dependent Children (AFDC) in 1975 and place about 125,000 of these directly into jobs. Another 75,000 will be placed in jobs following WIN training.

In the Department of Defense, Project Transition provided assistance to servicemen prior to discharge. Transition in 1975 becomes a part of the regular military responsibility, rather than a separately funded program.

Antidiscrimination.—These activities reduce barriers to the employment of minorities, women, and older workers. Not included here are individual agency civil rights activities.

The Equal Employment Opportunity Commissions' outlays increased 152% from 1972 to 1975, rising from \$21 million to \$53 million.

The Office of Federal Contract Compliance (OFCC) in the Department of Labor, in cooperation with 18 major Federal contracting agencies, assures that affirmative action plans are undertaken by Federal contractors to provide equal employment opportunities for minorities and women.

Table I-5. JOB PLACEMENT ASSISTANCE AND ANTIDISCRIMINATION
(in millions of dollars)

	Outlays		
	1973 actual	1974 estimate	1975 estimate
Employment service.....	431	428	424
Work incentive program.....	59	75	76
Food stamp registration requirement.....	14	17	19
Labor market information.....	37	39	42
Other placement assistance.....	40	23	11
Antidiscrimination.....	57	75	91
Total	638	657	663

Supportive services.—These services are provided to facilitate the ability of individuals to participate in training activities or to take and hold jobs.

Employment-related day care is provided through two major programs—the WIN and Social Services for recipients of AFDC. Social Services provides day care services directly and also supports child care through an income disregard to the AFDC payment.

Table I-6. SUPPORTIVE SERVICES (outlays in millions of dollars)

Program	Outlays		
	1973 actual	1974 estimate	1975 estimate
Child care:			
Work incentive program.....	41	45	46
Aid to families with dependent children.....	378	443	532
Other.....	16	17	8
Subtotal.....	435	505	586
Other supportive services:			
Work incentive program.....	48	50	51
Vocational rehabilitation.....	405	386	416
Other.....	62	44	61
Subtotal.....	515	480	528
Total	950	985	1,112

Federal program direction, research and support.—Table I-7 summarizes the Federal staff effort in headquarters and the field. Generally, most program direction activity is decentralized to field staff closer to actual situations. Other support functions are largely performed in headquarters units.

Research focuses primarily on distilling data on past program operations to extract information meaningful to manpower policy development, program planning, and operations at all levels.

Development activities devise and test innovative manpower methods, including new forms of program linkages.

Evaluation activities seek to determine which programs work, to what extent, and under what conditions. The effectiveness of individual programs depends on the degree to which they meet the needs of the people they enroll and the employers who hire them.

Program direction and support.—Federal efforts concentrate on providing information and technical assistance to States and local communities on methods to improve program performance, and on overall monitoring for conformity of operations to program purposes.

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

Program	Outlays				
	1971 actual	1972 actual	1973 actual	1974 estimate	1975 estimate
Research and development.....	24	31	30	22	23
Evaluation.....	4	6	7	7	8
Planning and technical assistance.....	14	27	34	37	37
Program direction.....	75	87	100	115	110
Total.....	117	151	171	181	150

Services provided.—Each major approach is usually combined with various labor market services in different mixes. The average costs of these major approaches are shown in the table below. Cost increase for post-school work support reflects inclusion of public service employment.

Table I-8. UNIT COSTS BY APPROACH, 1971 AND 1973

	Man-year unit cost (dollars)		Average duration of enrollment (years)		Participant unit cost (dollars)	
	1971	1973	1971	1973	1971	1973
On-the-job training.....	2,017	2,056	0.74	0.71	1,484	1,450
Institutional training.....	2,237	2,782	.41	.28	909	797
Vocational rehabilitation.....	1,181	1,202	1.23	1.24	1,454	1,485
Postschool work support.....	3,627	6,392	.57	.69	2,065	4,439
In-school work support.....	1,587	1,583	.28	.28	441	437

IMPACT OF MANPOWER PROGRAMS

There are significant limitations to the impact that manpower programs can exert on national economic conditions. The value of program expansion as a response to economic changes is uncertain

since program impact on total employment conditions cannot be adequately measured or controlled. For example, programs financing transitional public service employment can result in substituting Federal funding for jobs that would otherwise have been funded in the regular economy. In other programs, services are oriented first toward overcoming individual barriers to employment without regard to affecting overall labor market conditions.

In addition, it is extremely difficult to precisely target program effects on populations or industries affected by discrete economic factors. However, limitations that operate at the national level are not necessarily a factor restricting manpower programs planned and operated at the local level. The goal of Comprehensive Manpower Assistance is to enable more direct response to local needs.

People served.—Most Federal manpower programs focus on low-income individuals and others with severe barriers to employment as they are least likely to be able to improve their employment experience without assistance. Changes in the mix of characteristics over time frequently result from programmatic or statutory changes rather than shifts within the general population served. For example, changes in the proportion of males is largely reflective of increases in programs serving AFDC recipients.

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

	Total U.S. labor force (age 16-64) civilian noninstitutional			Poverty population (age 14-64) civilian noninstitutional			Manpower program participants (age 14 and above) ¹		
	1968	1970	1972	1968	1970	1972	1969	1971	1973
Average number (millions)	75.6	79.5	83.4	10.9	11.1	12.7	1.2	1.9	2.2
Percent:									
Age 21 or less	14	14	15	19	23	31	40	34	31
Male	63	62	61	39	39	39	60	46	44
Less than high school education ..	39	34	33	69	68	66	62	51	44
Poor	7	7	6	100	100	100	73	81	72
Welfare recipients	1	1	1	(²)	(²)	(²)	21	44	45
Minority ³	11	11	11	30	30	33	42	40	35

¹ Data excludes in-school programs.

² Not available.

³ Data for labor force and poverty population does not include Spanish-speaking.

Enrollee characteristics.—The characteristics of enrollees served by different approaches vary considerably. The effect of statutory change can be seen within approaches. The 1973 increase in educational levels in post-school work support reflects the inclusion in this approach of public service employment.

Table I-10. CHARACTERISTICS OF ENROLLEES BY APPROACH, 1969, 1971, 1973 (in percent)

	Poor			21 or younger			Less than high school education		
	1969	1971	1973	1969	1971	1973	1969	1971	1973
On-the-job training.....	51	65	63	47	31	29	53	43	40
Institutional training.....	81	93	93	43	38	30	57	51	42
Vocational rehabilitation.....	70	67	61	24	23	25	56	50	48
Post-school work support.....	95	98	96	65	54	41	85	76	52
In-school work support.....	100	100	100	100	100	100	97	99	95

	Male			Minority race			Welfare recipients		
	1969	1971	1973	1969	1971	1973	1969	1971	1973
On-the-job training.....	79	76	73	45	36	37	9	11	23
Institutional training.....	55	29	21	57	51	40	34	74	80
Vocational rehabilitation.....	56	57	58	22	21	22	11	13	18
Post-school work support.....	51	58	60	53	52	43	38	36	26
In-school work support.....	54	53	55	58	56	63	31	32	33

Employment service placement.—Results of placement activities of the Federal-State Employment Service System are highlighted in the following table.

Table I-11. INDIVIDUALS PLACED BY THE FEDERAL-STATE EMPLOYMENT SERVICE (in thousands)

	1971 ¹	1972 ¹	1973
Nonagricultural jobs:			
3 days or less.....		302	304
4 to 150 days.....		303	348
150 days or more.....		1,475	1,728
		2,261	

¹ Data for 1971 and 1972 includes estimates.

Program completions.—The following table highlights the percentage of individuals completing selected Manpower Programs and obtaining jobs upon program termination. The OJT and Institutional Programs shown have been superseded by Comprehensive Manpower Assistance and experience under State and local programs may differ.

Table I-12. COMPLETIONS AND INDIVIDUALS EMPLOYED AT TERMINATION FOR SELECTED PROGRAMS (in percent)

Program	Completing		Employed at termination	
	1972	1973	1972	1973
On-the-job training: Job opportunities in the business sector (JOBS).....	44	52	44	52
JOBS optional.....	63	63	63	63
Institutional: MDTA institutional.....	72	77	73	57
Rehabilitation: Federal-State vocational rehabilitation....	75	74	75	74

Impact on individuals.—The Federal-State Vocational Rehabilitation Program provides an example of the impact on individuals possible by provision of manpower services.

Of the approximately 326,000 individuals rehabilitated by the Federal-State Vocational Rehabilitation Program in 1972, 78% had no earnings prior to referral to the program, while 83% had earned incomes after completing rehabilitation. Mean earnings for all those rehabilitated in 1972 rose from \$14.67 per week at the time of referral to \$69.06 weekly at program completion. Although in absolute terms, income at completion is still low, the relative change from preprogram entry levels indicates the potential significance of providing manpower services.

PROGRAMS BY AGENCY

The following table shows manpower obligations and outlays by administering agency.

Table I-13. FEDERAL FUNDS FOR MANPOWER PROGRAMS
BY ADMINISTERING AGENCY (in millions of dollars)

Agency and Program	Obligations				Outlays			
	1972 actual	1973 actual	1974 est.	1975 est.	1972 actual	1973 actual	1974 est.	1975 est.
Office of Economic Opportunity: OEO manpower.....	26	28	-----	-----	31	26	-----	-----
Department of Defense: Project transition.....	13	15	13	-----	12	15	13	-----
Department of Health, Education and Welfare:								
Social services.....	370	458	537	659	407	436	483	593
WIN support services.....	74	83	90	90	32	89	95	97
Vocational rehabilitation.....	648	685	744	765	599	636	715	770
High school work study.....	6	6	6	-----	6	6	6	-----
Subtotal, HEW.....	1,098	1,233	1,377	1,514	1,044	1,167	1,300	1,460
Department of Housing and Urban Development: HUD manpower..	55	63	7	-----	50	58	58	23
Department of Justice: Prisoner training.....	5	5	6	5	5	5	6	5
Department of the Interior: Indian programs.....	40	40	35	37	38	37	35	37
Department of Labor:								
Comprehensive manpower assist- ance.....	1,618	1,357	1,889	2,008	1,592	1,388	1,440	1,955
Emergency employment assist- ance.....	976	1,263	9	-----	567	1,014	641	-----
Work incentive training.....	184	209	250	190	139	192	215	220
Food stamp work requirement...	8	14	17	19	8	14	17	19
Employment service.....	389	423	424	424	371	431	424	424
Labor market information.....	38	38	43	43	35	37	39	42
Antidiscrimination.....	4	4	5	6	4	4	5	6
Program administration.....	132	125	124	124	130	140	123	126
Subtotal, Labor.....	3,348	3,432	2,758	2,812	2,845	3,219	2,903	2,790
Veterans Administration:								
On-the-job training for veterans..	124	199	245	241	124	199	245	241
Veterans vocational rehabilita- tion.....	84	88	88	94	84	88	88	94
Veterans assistance centers.....	3	4	4	4	3	4	4	4
Subtotal, VA.....	211	291	337	339	211	292	337	339
Action: Older worker.....	23	21	27	30	11	21	26	30
Equal Employment Opportunity Commission: Antidiscrimination..	23	32	44	56	21	28	40	53
Other Federal agencies:								
Disadvantaged youth programs..	78	65	66	66	77	61	62	62
Federal contract compliance.....	20	28	32	32	18	24	30	32
Total.....	4,941	5,252	4,703	4,892	4,363	4,952	4,808	4,831

SPECIAL ANALYSIS J

FEDERAL HEALTH PROGRAMS ¹

Overview.—Federal health programs will account for \$35.5 billion in outlays in 1975. This is an increase of \$3.7 billion (11%) over 1974. It illustrates the upward trend of Federal health outlays as a component of the total Federal budget. The following table shows this trend in Federal health expenditures:

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

	Actual					Estimated	
	1965	1969	1971	1972	1973	1974	1975
Total Federal outlays.....	\$118.4	\$184.5	\$211.4	\$231.9	\$246.5	\$274.7	\$304.4
Federal health outlays.....	\$5.2	\$16.6	\$20.2	\$24.5	\$26.0	\$31.9	\$35.5
Health as percent of total outlays.....	4.4	8.9	9.5	10.6	10.6	11.6	11.7

Table J-2 summarizes and distributes Federal health outlays by major category for 1973 through 1975. Expenditures for financing or providing health services will account for almost 91% of the total \$3.7 billion increase over 1974, whereas 9% of the increase goes to health resource development and the remainder to prevention and control of health problems.

¹Included in this analysis are outlays from many agencies and programs that fund health or health-related activities. Part 4 of the Budget estimates 1975 expenditures for health at \$26.3 billion; it excludes outlays of agencies and programs devoted to health, but classified under other functions such as National Defense or Veterans Benefits and Services. The following table bridges 1975 health outlays from Part 4 to the total used here (in billions of dollars):

Outlays in Part 4.....	26.3
Plus health outlays assigned to other functions in:	
Department of Defense.....	3.1
Veterans Administration.....	3.4
All other agencies.....	2.7
Total health outlays in this analysis.....	35.5

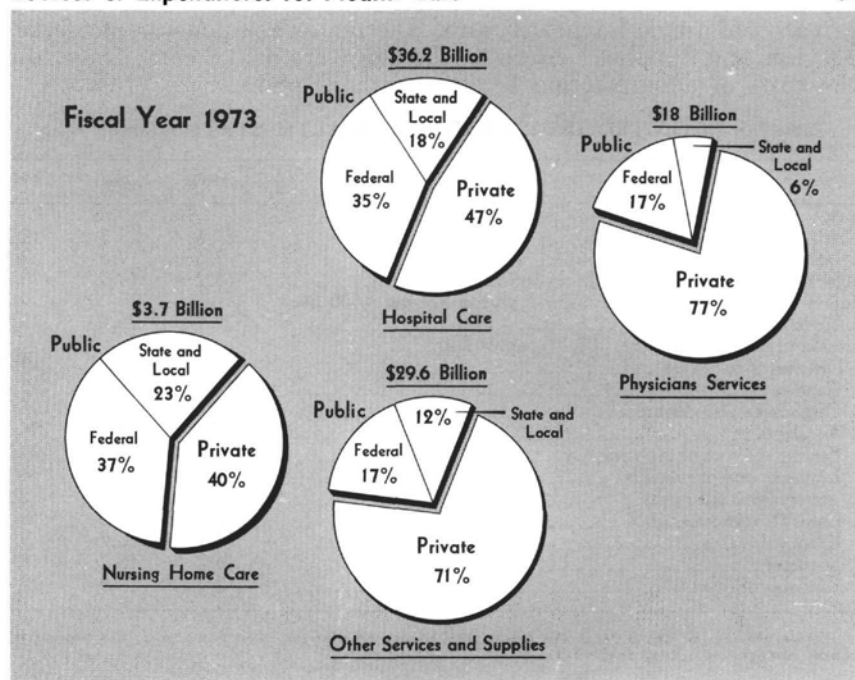
Table J-2. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY CATEGORY (in millions of dollars)

	Outlays		
	1973 actual	1974 estimate	1975 estimate
Development of health resources, total.....	(4,548)	(5,455)	(5,784)
Health research.....	2,005	2,398	2,587
Training and education.....	1,218	1,390	1,332
Construction.....	868	1,031	1,170
Improving organization and delivery.....	457	636	695
Provision of hospital and medical services, total.....	(20,592)	(25,349)	(28,655)
Provision of direct Federal services.....	4,306	4,758	5,009
Provision of indirect Federal services.....	16,286	20,591	23,646
Prevention and control of health problems, total.....	(890)	(1,084)	(1,101)
Disease prevention and control.....	463	543	508
Environmental control.....	109	152	190
Consumer safety.....	318	389	403
Total, health programs.....	26,030	31,888	35,540

In 1973, Federal health outlays accounted for 25% of total national expenditures for health care compared to 9% in 1965 prior to enactment of Medicare and Medicaid. As shown in figure J-3, Federal, State, and local government funds are a substantially more important source of financing for institutional health services than for physicians' services and other health care expenditures.

Sources of Expenditures for Health Care

J-3



Funds for Personal Health Services by Age Group

J-4

Fiscal Year 1972

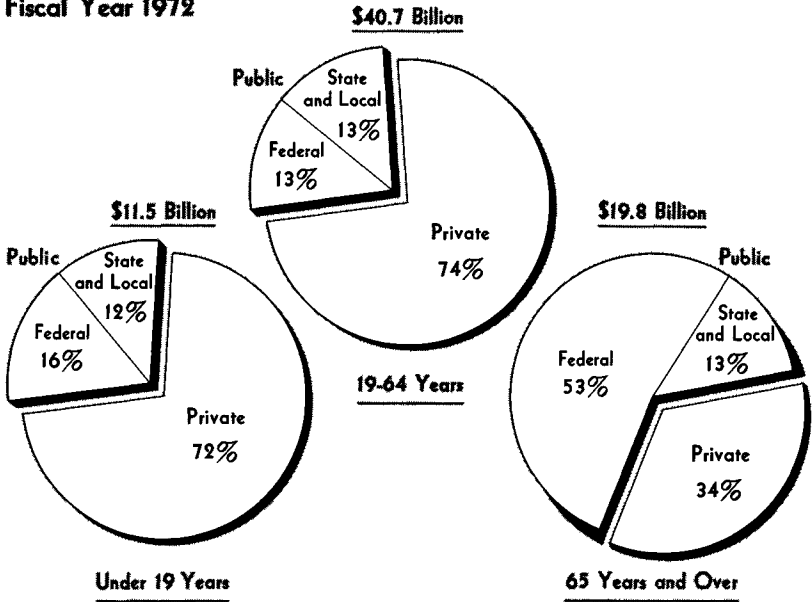


Figure J-3 indicates the sources—Federal, State and local, and private—of funds for health care. The major components of “Other Services and Supplies” shown on the figure are dental care, drugs, and the costs of administering health insurance plans.

Table J-5. SELECTED INDICATORS OF HEALTH STATUS (annual rates)

	1950	1960	1970
Birth rate (per 1,000 population).....	23.6	23.7	18.2
Death rate (per 1,000 population).....	9.6	9.5	9.4
Average life expectancy at birth in years.....	68.2	69.7	70.8
Infant mortality rate (deaths under 1 year of age per 1,000 live births).....	29.2	26.0	19.8
Leading causes of death (per 100,000 population):			
Diseases of the heart.....	355.5	369.0	360.3
Cancer.....	139.8	149.2	162.0
Cerebrovascular disease.....	104.0	108.0	101.7
Accidents.....	60.6	52.3	54.2
Certain diseases of early infancy.....	40.5	37.4	¹ 20.9
Influenza and pneumonia.....	31.3	37.3	¹ 30.5
Tuberculosis, all forms.....	22.5	6.1	2.6
General arteriosclerosis.....	20.4	20.0	¹ 15.9
Kidney diseases.....	16.4	6.7	3.7
Diabetes.....	16.2	16.7	18.5
Cirrhosis of liver.....	9.2	11.3	15.8

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

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

HEALTH RESOURCES

Federal programs for the development of health resources include support for health research, health manpower training and education, construction of medical and health facilities, and efforts directed toward improving the organization and delivery of health services. The combined outlays for these programs, as shown in table J-6, will be \$5,784 million in 1975, an increase of \$329 million over 1974.

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

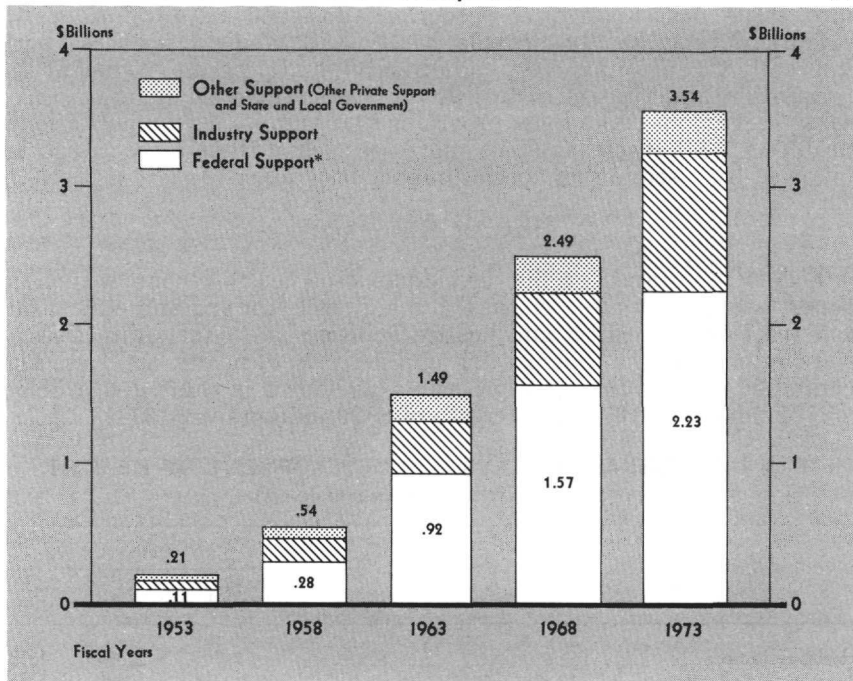
	Outlays		
	1973 actual	1974 estimate	1975 estimate
Health research.....	2,005	2,398	2,587
Training and education.....	1,218	1,390	1,332
Construction.....	868	1,031	1,170
Improving organization and delivery.....	457	636	695
Total	4,548	5,455	5,784

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

The largest Federal biomedical research agency is the National Institutes of Health (NIH) within the Department of Health, Education, and Welfare (HEW). NIH administers 67% of Federal health research funds.

Funds for Medical Research and Development

J-7



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

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

	Outlays		
	1973 actual	1974 estimate	1975 estimate
Cancer.....	353	456	459
Cardiovascular.....	329	389	432
Mental health.....	102	140	134
Neurological and visual.....	137	161	186
Population and family planning.....	46	57	60
Environmental health.....	208	249	305
Aging.....	31	36	37
Metabolic diseases.....	144	169	185
Child health.....	68	74	83
Infectious diseases.....	152	172	169
Pulmonary.....	31	47	56
Dental.....	37	43	41
Other research and development.....	365	406	438
Total.....	2,005	2,398	2,587

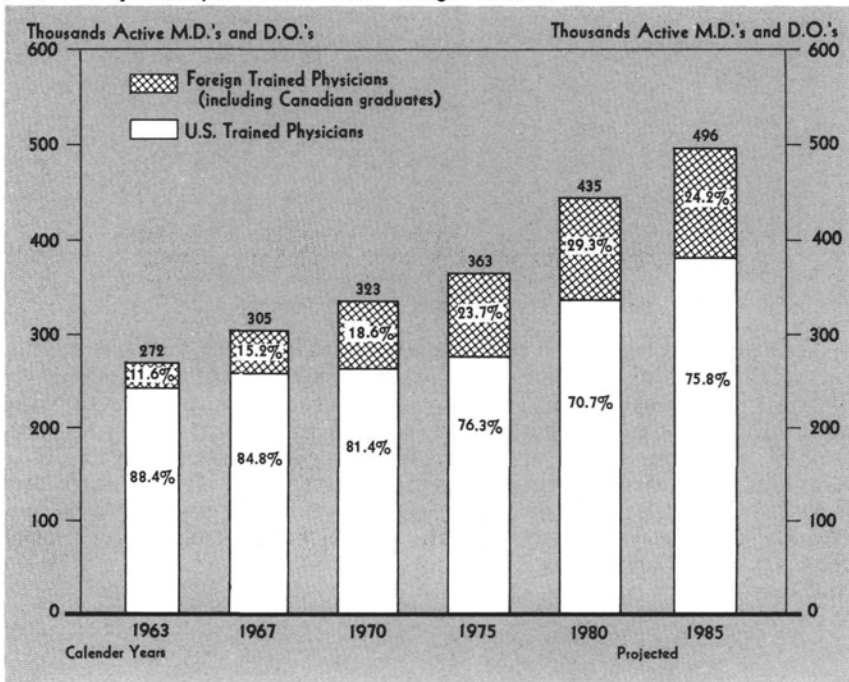
In addition to HEW, other Federal agencies support and conduct research in support of program missions. The three largest of these other biomedical research programs are the Department of Defense, Atomic Energy Commission, and the Veterans Administration. To-

gether, these agencies are responsible for 13% of all Federal biomedical research expenditures.

Training and education.—Since 1963, the number of U.S. medical and osteopathic schools has grown from 92 to 119; total enrollment has increased 52%, from 33,072 to 50,125; and graduates have increased 45%, from 7,631 to 11,038. The pool of foreign-trained physicians—including many U.S. citizens—has doubled to approximately 65,400, or 20% of all active physicians. The Nation's supply of active physicians (M.D.'s and D.O.'s) grew from about 252,000 in 1960 to 323,000 in 1971, an increase of 28% over an 11-year period. Similarly, the number of active registered nurses grew from 582,000 in 1963 to 777,000 in 1972, a one-third increase.

Active Physicians, Domestic and Foreign Trained

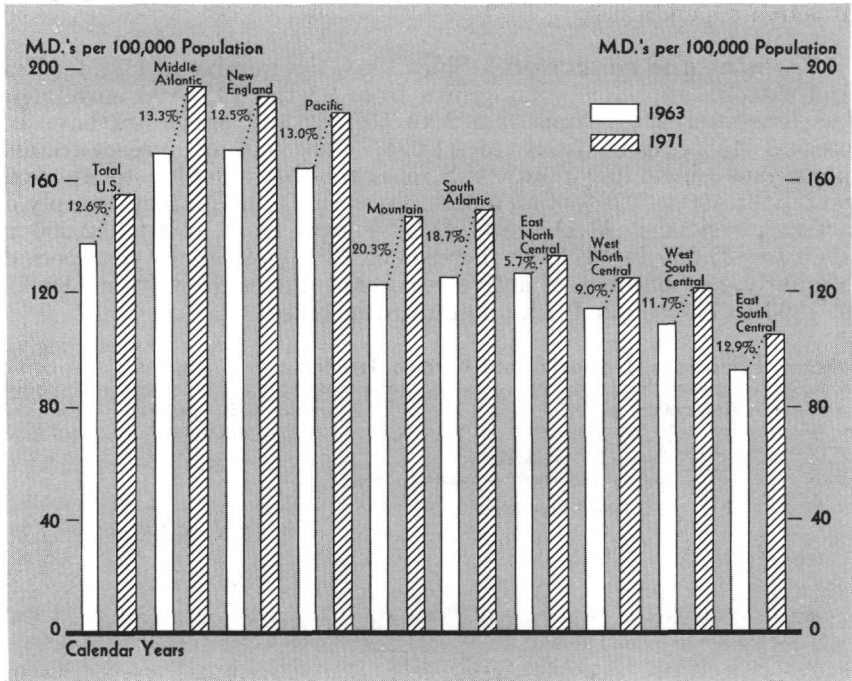
J-9



Without major alterations in either present output from domestic schools or immigration patterns, the physician supply is projected to increase to between 435,000 and 446,000 by 1980, an increase of 35–38% over the 1971 level. This increase would be 3½ times the expected rate of increase in the size of the U.S. population during the same period. Accordingly, the overall national ratio of physicians per 100,000 of the population would increase from 156 in 1971 to 192 in 1980.

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

J-10



This increase in overall physician supply, however, has not significantly altered the imbalance in the geographic and medical specialty distribution of physicians. The projected increase in supply could bring about little change in this regard. Both United States and foreign-trained physicians have tended to locate disproportionately in more populous, urbanized settings, especially in the Middle Atlantic and East North Central States. Figure J-10 illustrates how little the geographic distribution—shown in thousands of physicians per major census area—changed from 1963 to 1971.

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

J-11

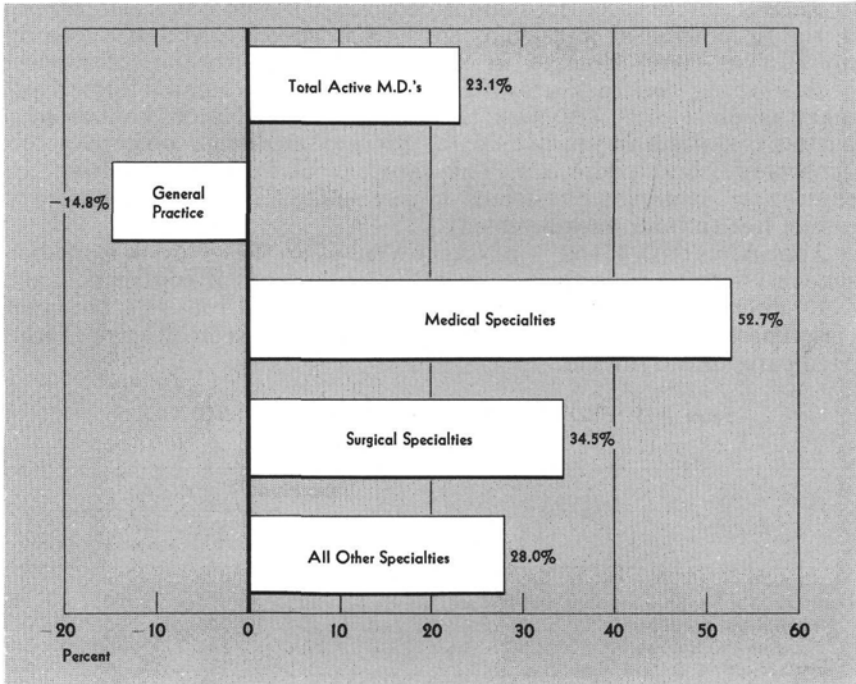


Table J-12. **FEDERALLY AIDED HEALTH TRAINING AND EDUCATION**
(in millions of dollars)

	Outlays		
	1973 actual	1974 estimate	1975 estimate
Degree or certificate training.....	(929)	(1,093)	(1,058)
Research personnel.....	109	130	123
Physicians.....	370	458	465
Dentists.....	68	82	80
Nurses.....	129	127	92
Mental health professionals.....	42	40	44
Other health professionals.....	114	129	121
Paramedical personnel.....	97	127	133
All other training.....	289	296	275
Total.....	1,218	1,389	1,332

Since 1963 there has been a 15% decline in the number of physicians in general practice. At the same time there has been a marked increase in the proportion of physicians engaged in specialty practice (see figure J-11). These changes in the specialty composition of medical practice have caused a growing concern over the availability of primary medical care, although the functions of general practice have partially shifted to specialists in internal medicine, obstetrics and gynecology, and pediatrics. The category of "other specialties" includes, for example, physicians in psychiatry, radiology, pathology, public health, and anesthesiology.

Approximately 45-50% of the revenues to the Nation's medical schools continue to be derived from Federal grants or contracts. Table J-13 shows the Federal funds to medical schools from selected agencies. These outlays do not include payments for medical services from Medicare and Medicaid.

Table J-13. FEDERAL FUNDS TO MEDICAL SCHOOLS
(in millions of dollars)

Agency	Outlays		
	1973 actual	1974 estimate	1975 estimate
Department of Health, Education, and Welfare	(933)	(1,086)	(1,096)
Research and development.....	546	715	743
Education and training.....	224	262	238
Construction.....	152	94	100
Hospital and medical services.....	10	14	13
Other.....	1	1	1
Department of Defense	(5)	(15)	(15)
Education and training.....	5	15	15
Veterans Administration	-----	(5)	(10)
Education and training.....	-----	5	10
National Aeronautics and Space Administration	(3)	(4)	(3)
Research and development.....	3	4	3
Special Action Office for Drug Abuse Prevention	-----	(3)	(4)
Research and development.....	-----	3	4
Total	941	1,113	1,127
Research and development.....	549	722	750
Education and training.....	229	282	263
Construction.....	152	94	100
Hospital and medical services.....	10	14	13
Other.....	1	1	1

The principal programs of direct support for health manpower schools—administered by the Health Resources Administration in HEW—include:

- basic operational support grants tied to enrollment levels.
- special projects to stimulate, test, and demonstrate educational reforms and innovations in all the health disciplines.
- special educational initiatives in such areas as improving access to health professions education for the socially and economically disadvantaged, developing new types of health manpower, stimulating the practice of family medicine, and bringing medical education into closer contact with health care delivery needs in medical scarcity areas.

A program of national health service scholarships—funded at a level of \$22.5 million—will pay all tuition, fees, and other educational costs, as well as provide generous stipends in return for periods of service to meet public needs, including Federal service, for approximately 2,000 students. This program is directed toward meeting both the financial needs of many deserving students, and the Federal Government's requirements for health manpower to discharge its essential health care responsibilities.

Table J-14. HOSPITAL AND HEALTH FACILITY CONSTRUCTION
(in millions of dollars)

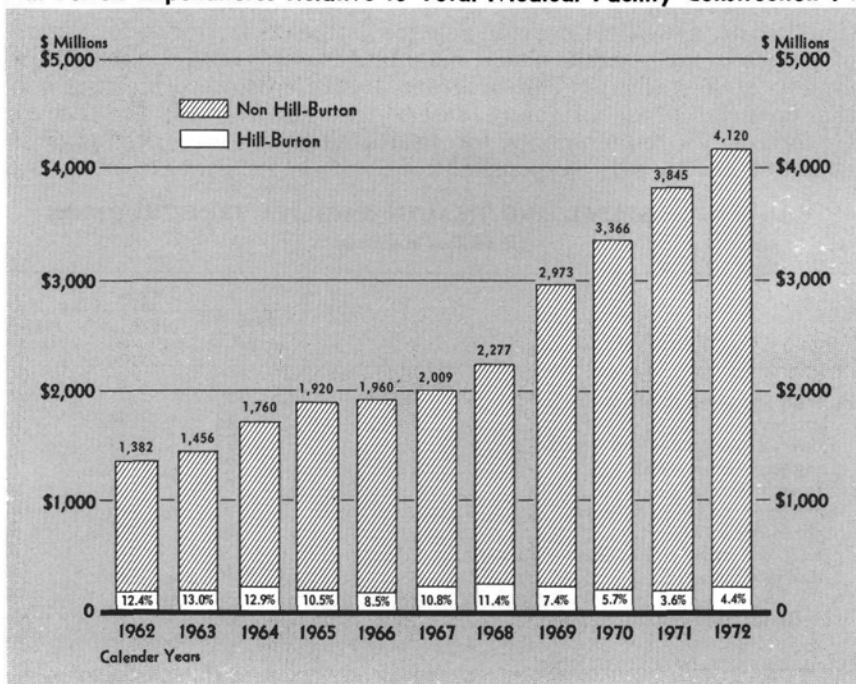
	Outlays		
	1973 actual	1974 estimate	1975 estimate
Federally supported construction:			
Hospitals new.....	48	46	59
Hospitals, modernized and replaced.....	75	79	95
Long-term care facilities.....	23	27	27
Research facilities.....	39	60	65
Environmental health facilities.....	166	176	181
Ambulatory care facilities.....	62	68	70
Health professions educational facilities.....	202	211	170
Other facilities.....	46	44	46
Total, federally supported.....	661	711	713
Federal hospitals and health facilities:			
Hospitals, new.....	6	25	20
Hospitals, modernized and replaced.....	151	210	302
Long-term care facilities.....	2	6	8
Research facilities.....	11	19	26
Environmental health facilities.....	27	45	50
Ambulatory care facilities.....	9	17	32
Other facilities.....	2	6	19
Total, Federal.....	207	319	457
Total, construction.....	868	1,030	1,170

Construction of health care facilities.—Federal programs for the construction of health care facilities include the support of both community health care facilities to serve the general public, and facilities operated by Federal agencies for special beneficiary groups. In 1975, Federal outlays for the construction of health care facilities, including environmental health facilities, are estimated at \$1,170 million.

The Nation currently is experiencing a general oversupply of hospital beds. The national average occupancy rate in community hospitals is down to about 73%. This can be attributed to changes in treatment practices and an emphasis on ambulatory care, as well as to over-building in certain areas.

The primary Federal program supporting the construction of community health care facilities is the Hill-Burton construction grant program. The Hill-Burton program's expenditures—as a percentage of total national expenditures for construction of health care facilities—have declined over the past decade. In 1972, Hill-Burton expenditures represented only about 5% of the total national medical facility construction expenditures, compared to 13% in 1963.

Hill-Burton Expenditures Relative to Total Medical Facility Construction J-15



Other Federal agencies also assist in the construction of community health facilities. The Department of Housing and Urban Development, for example, provides mortgage insurance for construction of hospitals, nursing homes, and group practice facilities. The number of beds in institutions covered by newly written mortgage insurance is estimated to increase from 8,100 in 1974 to 9,600 in 1975.

Organization and delivery of health services.—The principal efforts to improve the organization and delivery of health services include health services research, health planning support at the State and local level, and limited demonstration activities. Outlays for these purposes are estimated at \$695 million in 1975.

The primary Federal health care delivery demonstration activities include:

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

The funding for health maintenance organizations and emergency medical services are included in the following section, since services are also financed from these activities.

FINANCING AND PROVIDING HOSPITAL AND MEDICAL SERVICES

Programs to finance or provide hospital and medical services include Medicare and Medicaid, which account for 72% of outlays for these purposes, as well as directly administered programs for health services provided by the Department of Defense, the Veterans Administration, and HEW. Table J-16 shows Federal expenditures for financing and providing hospital and medical services.

Table J-16. FEDERAL FINANCING AND PROVISION OF HEALTH SERVICES
(dollars in millions)

	Outlays			Patients treated (thousands)		
	1973 actual	1974 estimate	1975 estimate	1973	1974	1975
Financing of indirect hospital and medical services:						
General hospital inpatients.....	10,333	12,913	14,777	10,152	11,593	11,977
Psychiatric hospital inpatients.....	221	295	360	115	125	122
Long-term care inpatients.....	1,966	2,524	2,917	1,329	1,575	1,609
Outpatient mental health services..	238	286	387	1,702	2,080	2,168
Outpatient services.....	2,761	3,475	3,943	48,128	54,650	57,110
Other services.....	766	1,098	1,262			
Total, financing of indirect services.....	16,286	20,591	23,646			
Provision of direct Federal hospital and medical services:						
General hospital inpatients.....	\$2,577	\$2,854	\$2,958	2,062	2,068	2,092
Psychiatric hospital inpatients....	451	484	505	183	185	189
Long-term care inpatients.....	122	130	138	32	31	30
Outpatient mental health services..	31	35	43	1,137	1,262	1,399
Outpatient services.....	1,043	1,163	1,264	66,170	67,139	68,314
Other services.....	81	93	101			
Total, provision of direct services.....	4,306	4,758	5,009			
Total, financing and provision of services.....	20,592	25,349	28,655			

Medicare.—Medicare is the Federal Government's largest health activity and will account for 40% of Federal health outlays in 1975. It includes—for the aged, disabled, and those suffering from kidney disease—both hospital insurance (HI), which pays for inpatient care and subsequent skilled nursing home and home health benefits, and supplementary medical insurance (SMI), which pays for physicians' and other outpatient services.

HI is financed largely through social security taxes on earnings, while SMI is financed by premiums from enrollees (currently \$6.30 per month) and matching contributions from general tax revenues. Both insurance components are administered primarily through private

insurance companies under contract with the Social Security Administration. An estimated 21.6 million aged persons, comprising over 95% of the Nation's aged population, will be enrolled in Medicare in 1975. In addition 1.9 million social security recipients under age 65 who are eligible for social security disability benefits and all persons covered by social security and their families who require treatment for chronic kidney disease will also be eligible for Medicare insurance.

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

Table J-17. **MEDICARE COVERAGE, BENEFITS, AND ADMINISTRATION**
(in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Hospital insurance (HI):			
Persons with protection (millions).....	20.9	23.0	23.5
Beneficiaries receiving services (millions).....	4.7	5.4	5.6
Benefit payments:.....	\$6,648	\$8,465	\$9,831
Inpatient hospital services.....	\$6,408	\$8,138	\$9,465
Skilled nursing facility services.....	\$188	\$251	\$286
Home health services.....	\$52	\$76	\$80
Administrative expenses.....	\$194	\$308	\$332
Claims received (millions).....	9.2	10.8	11.6
Supplementary medical insurance (SMI):			
Persons with protection (millions).....	20.4	22.5	23.0
Beneficiaries receiving services (millions).....	10.5	11.6	12.2
Benefit payments.....	\$2,391	\$2,966	\$3,586
Physicians' services.....	\$2,165	\$2,595	\$3,081
Outpatient services.....	\$188	\$289	\$387
Home health services.....	\$28	\$40	\$47
Other medical and health services.....	\$10	\$42	\$71
Administrative expenses.....	\$246	\$441	\$442
Claims received (millions).....	69.3	84.9	92.9

Medicare reimbursements per enrollee differ substantially in various regions of the country. These differences reflect variations in resource availability, utilization practices, and service costs. Table J-18 summarizes information on these patterns for 1969.

Table J-18. **MEDICARE UTILIZATION AND REIMBURSEMENT BY GEOGRAPHIC REGION (1969)**

	North- east	North Central	South	West
Hospital insurance (HI):				
Hospital admissions per 1,000 enrollees.....	256	317	341	317
Average length of hospital stay (days).....	15.1	13.6	11.9	10.6
With surgery.....	16.0	15.0	13.5	11.4
Without surgery.....	14.5	13.0	11.3	10.3
Covered hospital days per 1,000 enrollees.....	3,828	4,341	4,014	3,343
HI reimbursement per enrollee.....	\$259	\$235	\$192	\$261
Supplementary medical insurance (SMI):				
SMI enrollees meeting deductible.....	48.4%	44.8%	48.2%	57.8%
SMI reimbursement per enrollee.....	\$96	\$71	\$79	\$117

Medicaid.—Medicaid is a State program that provides medical services to individuals receiving public assistance. States may also choose to provide medical services to the medically needy, e.g., those persons with income slightly above the public assistance level who are unable to pay all medical expenses. Federal matching assistance ranges from 50% to 83% of the costs of providing these benefits, depending upon States' per capita incomes. The States determine the level and types of medical benefits.

In 1975, health care services under Medicaid will be provided to approximately 28.6 million welfare recipients and other low-income persons. The Federal outlays will be \$6.5 billion. The following table depicts Federal outlays and other selected program indicators, based on State estimates.

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

	1973 actual	1974 estimate	1975 estimate
Payments to medical vendors (millions).....	\$4,402	\$5,505	\$6,148
Administrative costs (millions).....	\$198	\$322	\$360
Recipients of service (millions).....	23.5	27.2	28.6
Aged 65 or over.....	4.0	5.2	5.1
Blind and disabled.....	2.1	2.5	2.6
Children under 21.....	10.8	12.1	12.9
Adults in AFDC families.....	6.6	7.4	7.9
Average benefit payments per recipient.....	\$187	\$202	\$215
Aged 65 or over.....	\$385	\$400	\$467
Blind and disabled.....	\$476	\$470	\$521
Children under 21.....	\$90	\$98	\$99
Adults in AFDC families.....	\$132	\$143	\$142

Approximately 67% of Federal Medicaid funds will finance inpatient and long-term care in 1975. The remaining dollars will finance outpatient services, as shown in table J-20.

Table J-20. ESTIMATED MEDICAID PAYMENTS, 1974

	Outlays (millions)	Percent
General and TB hospitals.....	\$1,745	28
Mental hospitals.....	336	5
Skilled nursing facilities.....	1,245	20
Intermediate care facilities.....	864	14
Physicians' services.....	656	11
Outpatient drugs.....	431	7
Dental care.....	100	2
Outpatient services (hospitals).....	192	3
Outpatient clinic services.....	129	2
Medicare buy-in (SMI premium payments).....	115	2
Laboratory and X-ray services.....	53	1
Other.....	282	5
Total.....	6,148	100

Although the Medicaid matching formula provides higher Federal matching to low-income States, most of the program funds go to high-income States. This results from the fact that more affluent States have proved more able to expand the population and services covered. Five of the highest income States received over 50% of all Federal Medicaid funds in 1973, and two States—New York and California—received nearly 40% of these funds.

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

- *Federal formula and project grants.*—Federal assistance is provided for the support of existing health projects—maternal and child health, comprehensive health centers, neighborhood and family health centers, family planning services, community mental health centers, and specialized treatment centers for alcohol and drug abuse. Outlays for these health service projects will amount to \$1,178 million in 1975.
- *Indian health services.*—Outlays for Indian health services and facilities will increase in 1975 to \$284 million, a \$32 million increase over 1974. These funds provide comprehensive health care, with an emphasis on ambulatory care as well as construction of sanitation facilities, hospitals, and clinics.

Table J-21. **SELECTED INDICATORS OF INDIAN HEALTH STATUS**
(annual rates)

	1950	1960	1970
Birth rate (per 1,000 population).....	36.2	42.7	32.6
Death rate (per 1,000 population).....	12.9	9.1	7.7
Average life expectancy at birth (years).....	60.0	61.7	64.0
Infant mortality rate (deaths under 1 year of age per 1,000 live births).....	185.8	50.3	23.8
Leading causes of death (per 100,000 population):			
Heart.....	148.8	135.5	142.0
Accidents.....	125.9	155.2	157.1
Influenza and pneumonia.....	108.0	95.0	38.6
Certain diseases of early infancy.....	77.3	66.7	29.6
Cancer.....	60.3	65.2	62.6
Cirrhosis of liver.....	7.7	20.7	45.5

¹ Less Alaska.

- *Medical care to active and retired military personnel and their dependents.*—In 1975, DOD will operate over 200 hospitals and other health facilities directly and will contract with community facilities to provide additional care for its beneficiaries. Outlays for these services will be \$3,060 million in 1975, \$116 million more than in 1974.

- *Medical care to veterans.*—VA will operate 170 hospitals, 87 long-term care facilities, and 218 outpatient clinics, and will also provide contract care for certain veterans at an estimated cost of \$3.1 billion in 1975, an increase of \$232 million over the 1974 level. Outpatient visits in 1975 are expected to rise to 14 million, with an increase in the number of patients receiving hospital treatment to 1,090 thousand from 1,043 thousand in 1974.
- *Health insurance for Federal employees.*—Health benefits are provided to almost 2.4 million Federal civilian employees and annuitants and their dependents under the Federal employees health benefits programs managed by the Civil Service Commission. In 1975, Federal payments to finance these programs will increase by \$70 million to \$609 million.

Distribution of health care outlays by age groups and economic status.—Table J-22 distributes Federal outlays for the financing and direct provision of hospital and medical services among three major age groups and between indigent and nonindigent persons. Outlays for the development of health resources and for prevention and control of health problems are excluded from the table, since they are not normally distributed by population group or income.

Table J-22. ESTIMATED FEDERAL HEALTH CARE OUTLAYS BY POPULATION AND INCOME GROUPS (in millions of dollars)

	Outlays		
	1973 actual	1974 estimate	1975 estimate
Total, all recipients	20,592	25,349	28,656
Aged (65 and over).....	11,738	13,388	15,114
Other adults (19-64).....	6,770	9,536	10,945
Children and youth (0-18).....	2,084	2,425	2,597
Indigent persons, total	6,907	8,494	9,542
Aged (65 and over).....	2,358	2,802	3,172
Other adults (19-64).....	3,356	4,226	4,783
Children and youth (0-18).....	1,193	1,466	1,586
Nonindigent persons, total	13,685	16,855	19,115
Aged (65 and over).....	9,380	10,586	11,943
Other adults (19-64).....	3,414	5,310	6,162
Children and youth (0-18).....	891	959	1,011

PREVENTION AND CONTROL OF HEALTH PROBLEMS

Consumer safety, communicable disease control, traffic accident reduction, occupational safety, environmental health, and foreign health assistance are some of the areas in which the Federal Government supports programs to prevent and control health problems. Outlays for these activities will increase by 2% over 1974 to \$1,101 million in 1975. Table J-23 shows Federal outlays for the prevention and control of health problems.

Table J-23. FEDERAL OUTLAYS FOR THE PREVENTION AND CONTROL OF HEALTH PROBLEMS (in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Disease prevention and control.....	463	543	508
Environmental control.....	109	152	190
Consumer safety.....	318	389	403
Total, prevention and control.....	890	1,084	1,101

Disease prevention and control.—Disease control includes those activities supported by a variety of Federal agencies directed toward the prevention of diseases and injuries through research, regulatory activities, provision of preventive services, and public education.

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

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

Consumer safety.—In 1975, Federal efforts to protect the public from impure foods, unsafe and ineffective drugs, and hazardous consumer products will continue to grow with an increase of \$14 million in outlays over 1974.

The Food and Drug Administration (FDA) in HEW will continue to play a major role in improving the quality and safety of the Nation's food supply and the safety and effectiveness of drugs for their intended uses. In 1975, FDA's Bureau of Biologics will continue to review the efficacy of biologicals and vaccines and will continue to conduct comprehensive inspections of intrastate blood banks.

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

The Consumer Product Safety Commission will increase investigations, research, and the collection and dissemination of information in order to protect the consumer from hazardous products and to inform the public about the safe use of products that are potentially hazardous if improperly handled.

Accidents and occupational safety.—In 1972 there were 117,000 deaths resulting from accidents—the leading cause of death for persons between the ages 1 and 44. In addition, 11.5 million people were disabled as a result of accidents.

The number of motor vehicle fatalities was 56,600 in 1972, an increase of 1,900 over 1971. In 1975 emphasis will be placed on State passage of mandatory seatbelt use laws and highway safety construction spot improvements. Federal obligations for prevention of traffic accidents are estimated to be \$470 million in 1975, an increase of 50% over 1974.

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

Foreign health assistance.—In 1975, the United States will provide \$225 million for disease prevention and control assistance to other nations. These funds will support efforts by the Agency for International Development (AID), the Peace Corps, and international agencies to which the United States contributes financially, such as the World Health Organization and the Pan American Health Organization.

SPECIAL IMPACT PROGRAMS

Special impact programs are Federal programs targeted at health problems that are sufficiently unique to warrant special attention. These programs include drug abuse activities, the provision of family planning services, and venereal disease prevention activities.

Drug abuse.—Treatment capacity now exists for every addict who seeks treatment. Federal drug abuse programs will be coordinated by the Special Action Office for Drug Abuse Prevention until the end of 1975.

HEW funds major drug abuse treatment, rehabilitation, prevention, and research programs through the National Institute on Drug Abuse. Defense and VA will continue efforts to control the drug problem among military personnel and veterans.

Within the Department of Justice, the Bureau of Prisons administers treatment programs for Federal prisoners, the Drug Enforcement Administration conducts training and research programs, and the Law Enforcement Assistance Administration supports a broad range of programs related to drug abuse.

Outlays for all drug abuse prevention activities rose from \$365 million in 1973 to \$445 million in 1974. This effort will continue in 1975 with outlays of \$460 million. These outlays are in addition to law enforcement activities which are discussed in Special Analysis M and amount to \$293 million in 1975.

In sum, total outlays for all Federal drug abuse activities will grow from \$690 million in 1974 to \$754 million in 1975.

Table J-24. ESTIMATED OUTLAYS FOR DRUG ABUSE PREVENTION PROGRAMS (in millions of dollars)

	1973	1974	1975
Treatment and rehabilitation:			
Special Action Office for Drug Abuse Prevention.....	0.4	32.4	19.1
Health, Education, and Welfare:			
National Institute on Drug Abuse ¹	73.4	123.6	147.5
Social and Rehabilitation Service.....	.9	.7	.4
Defense.....	46.0	42.0	42.0
Veterans Administration.....	23.0	23.8	24.4
Justice:			
Bureau of Prisons.....	3.1	4.2	7.5
Law Enforcement Assistance Administration.....	.2	-----	-----
Subtotal.....	147.0	226.7	240.9
Education and training:			
Special Action Office for Drug Abuse Prevention.....	-----	.5	1.0
Health, Education, and Welfare:			
National Institute on Drug Abuse ¹	12.9	18.7	17.7
Office of Education.....	10.4	8.0	8.0
Social and Rehabilitation Service.....	.5	.2	.1
Defense.....	14.1	11.3	10.2
Veterans Administration.....	.4	.4	.4
Justice:			
Law Enforcement Assistance Administration.....	-----	.7	.9
Drug Enforcement Administration.....	.8	1.1	1.1
Subtotal.....	39.1	40.9	39.4
Research, planning, and coordination:			
Special Action Office for Drug Abuse Prevention.....	4.5	22.0	18.3
Health, Education, and Welfare:			
National Institute on Drug Abuse ¹	34.8	41.2	38.3
Office of Education.....	.7	-----	-----
Social and Rehabilitation Service.....	.9	.4	.4
Defense.....	8.0	11.6	13.3
Veterans.....	2.2	1.3	1.7
Justice:			
Bureau of Prisons.....	.3	.3	.3
Law Enforcement Assistance Administration.....	-----	.3	.4
Drug Enforcement Administration.....	.8	.8	.8
Subtotal.....	52.2	77.9	73.5
Other drug abuse prevention funds ²	126.4	99.7	106.4
Total.....	364.7	445.2	460.2

¹ Includes in 1973, the Office of Economic Opportunity (OEO) drug abuse programs.

² Federal funds available for drug abuse activities through financing and bloc grant programs.

Family planning.—As table J-25 indicates, obligations for Federal family planning activities are estimated at \$283 million in the Health Services Administration and the Social and Rehabilitation Service in HEW. Efforts will be concentrated on providing services to low-income persons.

Family planning research activities are supported by NIH and AID. Obligations for this research will increase to \$53 million in 1975.

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

	Obligations		
	1973 actual	1974 estimate	1975 estimate
Research, total.....	\$48	\$49	\$53
Department of Health, Education, and Welfare.....	\$42	\$42	\$45
Department of State: Agency for International Development.....	\$6	\$7	\$8
Services, total.....	\$188	\$212	\$231
Department of Health, Education, and Welfare:			
Health Services Administration.....	\$136	\$137	\$137
Social and Rehabilitation Service.....	\$52	\$75	\$94
Family planning programs, total.....	\$236	\$261	\$284
Number of people served, total.....	5,008,000	6,225,000	7,058,000

Venereal disease.—Since the early 1960's, the incidence of gonorrhea has been increasing steadily throughout the United States, and the rate of syphilis has been edging upward since 1970. In 1972, the Federal Government launched a concerted effort to control both of these diseases by substantially increasing assistance to States and localities. By the end of 1973, the rate of increase in syphilis had been reduced by two-thirds and the number of reported cases of male gonorrhea, the best measure of true incidence, had actually begun to decline. In 1975, Federal obligations for research on venereal disease are estimated to be \$3.5 million, while obligations for diagnosis, casefinding, and treatment activities are estimated to be more than \$31 million.

Table J-26. VENEREAL DISEASE TRENDS

	Primary and secondary syphilis		Gonorrhea	
	Cases reported	Rates/ 100,000	Cases	Rates
1941.....	68,231	51.7	193,468	146.7
1950.....	32,148	21.6	303,992	204.0
1957.....	6,251	3.8	216,476	129.8
1965.....	23,250	12.3	310,155	163.8
1969.....	18,679	9.3	494,227	245.9
1970.....	20,186	10.0	573,200	285.2
1971.....	23,336	11.5	624,371	307.5
1972.....	24,000	11.7	718,401	349.7
1973.....	25,080	12.1	809,681	392.2

EXPENDITURES FOR HEALTH ACTIVITIES BY AGENCY

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

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

	Func- tional code	Health research	Training and education	Construc- tion	Organiza- tion and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Preven- tion and control of health problems	Total
Department of Health, Education, and Welfare (total).....	650	(1,517)	(745)	(492)	(244)	(201)	(15,064)	(501)	(18,764)
Health Services Administration.....	650	2	33	28	15	163	490	143	874
Health Resources Administration.....	650	2	418	383	188	-----	-----	20	1,011
Alcoholism, Drug Abuse, and Mental Health Administration.....	650	113	113	22	5	35	262	56	606
Center for Disease Control.....	650	34	1	-----	-----	-----	-----	101	136
National Institutes of Health.....	650	1,325	139	27	25	-----	-----	*	1,516
Food and Drug Administration.....	650	23	2	-----	-----	-----	-----	118	143
Social Security Administration.....	650	-----	-----	-----	-----	-----	9,479	-----	9,479
Social and Rehabilitation Service.....	650/700	15	10	16	2	*	4,807	41	4,891
Other HEW.....	-----	3	29	16	9	3	26	22	108
Department of Defense.....	051	117	131	76	*	1,847	478	12	2,661
Veterans Administration.....	804	74	146	98	17	2,231	145	-----	2,711
Department of Housing and Urban Development.....	551	-----	-----	170	68	-----	-----	-----	238
Department of Agriculture.....	350	48	-----	2	-----	-----	-----	214	264
Environmental Protection Agency.....	404	16	14	-----	-----	-----	-----	3	33
Agency for International Development.....	152	5	11	-----	99	-----	-----	-----	115
National Aeronautics and Space Administration.....	250	26	-----	*	1	-----	-----	-----	27
Atomic Energy Commission.....	058	104	*	1	-----	-----	-----	46	151
Civil Service Commission.....	906	-----	-----	-----	*	-----	138	-----	138
Department of Labor.....	607/609	*	156	-----	4	-----	-----	28	188
Department of State.....	150	-----	6	*	11	*	1	23	41
National Science Foundation.....	606	26	-----	*	1	-----	-----	-----	27
Other agencies.....	-----	72	9	29	12	27	14	63	226
Agency contributions to employee health funds.....	-----	-----	-----	-----	-----	-----	446	-----	446
Total outlays for health, 1973.....	-----	2,005	1,218	868	457	4,306	16,286	890	26,030

*Less than \$500,000.

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

	Functional code	Health research	Training and education	Construction	Organization and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Prevention and control of health problems	Total
Department of Health, Education, and Welfare (total).....	650	(1,839)	(806)	(574)	(381)	(229)	(19,211)	(578)	(23,618)
Health Services Administration.....	650	2	44	56	17	186	630	153	1,038
Health Resources Administration.....	650	2	450	411	303	-----	-----	5	1,171
Alcoholism, Drug Abuse, and Mental Health Administration.....	650	132	106	27	8	40	319	56	683
Center for Disease Control.....	650	37	*	-----	-----	-----	-----	131	163
National Institutes of Health.....	650	1,616	167	58	32	-----	-----	18	1,891
Food and Drug Administration.....	650	33	1	-----	-----	-----	-----	140	174
Social Security Administration.....	650	-----	-----	-----	-----	-----	12,180	-----	12,180
Social and Rehabilitation Service.....	650/700	14	7	16	2	1	6,055	57	6,152
Other HEW.....	-----	3	31	6	19	2	27	18	106
Department of Defense.....	051	120	216	115	2	1,970	507	14	2,944
Veterans Administration.....	804	82	168	126	21	2,528	167	-----	3,092
Department of Housing and Urban Development.....	551	-----	-----	181	68	-----	-----	-----	249
Department of Agriculture.....	350	52	-----	2	-----	-----	-----	237	291
Environmental Protection Agency.....	404	18	13	-----	-----	-----	-----	4	35
Agency for International Development.....	152	7	13	-----	101	-----	-----	-----	121
National Aeronautics and Space Administration.....	250	37	-----	*	1	-----	-----	-----	38
Atomic Energy Commission.....	058	113	*	5	-----	-----	-----	54	172
Civil Service Commission.....	906	-----	-----	-----	*	-----	138	-----	138
Department of Labor.....	607/609	1	158	-----	3	-----	-----	53	215
Department of State.....	150	-----	6	*	12	*	1	26	45
National Science Foundation.....	606	44	5	-----	-----	-----	-----	-----	49
Other agencies.....	-----	85	5	28	47	31	28	118	342
Agency contributions to employee health funds.....	-----	-----	-----	-----	-----	-----	539	-----	539
Total outlays for health, 1974.....	-----	2,398	1,390	1,031	636	4,758	20,591	1,084	31,888

*Less than \$500,000.

Table J-29. FEDERAL OUTLAYS FOR MEDICAL AND HEALTH-RELATED ACTIVITIES BY AGENCY, 1975 (in millions of dollars)

	Functional code	Health research	Training and education	Construction	Organization and delivery	Direct Federal hospital and medical services	Indirect Federal hospital and medical services	Prevention and control of health problems	Total
Department of Health, Education, and Welfare (total).....	650	(1,960)	(756)	(588)	(438)	(246)	(22,090)	(557)	(26,635)
Health Services Administration.....	650	2	42	71	30	201	685	154	1,185
Health Resources Administration.....	650	2	394	399	306	-----	-----	5	1,106
Alcoholism, Drug Abuse, and Mental Health Administration.....	650	133	116	26	19	42	450	37	823
Center for Disease Control.....	650	32	-----	-----	-----	-----	-----	103	135
National Institutes of Health.....	650	1,738	166	72	32	-----	-----	34	2,042
Food and Drug Administration.....	650	38	*	-----	-----	-----	-----	157	195
Social Security Administration.....	650	-----	-----	-----	-----	-----	14,191	-----	14,191
Social and Rehabilitation Service.....	650/700	10	6	14	2	1	6,731	54	6,818
Other HEW.....	-----	5	32	6	49	2	33	13	140
Department of Defense.....	051	119	206	172	2	2,027	519	15	3,060
Veterans Administration.....	804	89	199	183	23	2,700	218	-----	3,412
Department of Housing and Urban Development.....	551	-----	-----	186	25	-----	-----	-----	211
Department of Agriculture.....	350	54	-----	7	-----	-----	-----	241	302
Environmental Protection Agency.....	404	25	10	-----	-----	-----	-----	4	39
Agency for International Development.....	152	11	15	-----	122	-----	-----	-----	148
National Aeronautics and Space Administration.....	250	49	-----	*	*	-----	-----	-----	49
Atomic Energy Commission.....	058	130	*	6	-----	-----	-----	68	204
Civil Service Commission.....	906	-----	-----	-----	1	-----	182	-----	183
Department of Labor.....	607/609	1	128	-----	4	-----	-----	84	217
Department of State.....	150	-----	7	1	13	*	1	28	50
National Science Foundation.....	606	49	5	-----	-----	-----	-----	-----	54
Other agencies.....	-----	100	6	27	67	36	27	104	363
Agency contributions to employee health funds.....	-----	-----	-----	-----	-----	-----	609	-----	609
Total outlays for health, 1975.....	-----	2,587	1,332	1,170	695	5,009	23,646	1,101	35,540

*Less than \$500,000.

SPECIAL ANALYSIS K

FEDERAL INCOME SECURITY PROGRAMS

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

- Cash benefits (including, for example, social security); and
- In-kind benefits (including, for example, food stamps).

OVERVIEW

Total Federal income security benefits—within the definitions used in this analysis—are estimated to exceed \$129 billion in 1975. This represents an increase of almost \$34 billion or about 35%, from the 1973 total of \$96 billion.

The major items accounting for this change are:

- An increase of \$15.6 billion in OASDI benefits, largely reflecting a two step 11% benefit increase, fully effective in June 1974;
- An increase of \$6.5 billion in health care benefits, mainly due to extension of Medicare coverage to the disabled and increased costs of medical care;
- An increase of \$4.1 billion in benefits for Federal employees, divided between civilian and military retirement benefits;
- An increase of \$2.8 billion in public assistance benefits, largely due to the shift to full Federal funding of welfare for the aged, blind, and disabled;
- An increase of \$2.0 billion in food programs, reflecting a 22% increase in the food stamp allotment and a major expansion in the population eligible for stamps; and
- An increase of \$1.7 million for unemployment insurance, reflecting an increase in benefit levels and in the number of eligible workers.

Table K-1. FEDERAL INCOME SECURITY BENEFITS

	1973 actual	1974 estimate	1975 estimate
Federal outlays for cash benefits (millions):			
Social security (OASDI).....	47,332	54,298	62,919
Federal employee benefits.....	9,418	11,600	13,485
Veterans benefits.....	6,536	6,665	6,923
Public assistance.....	5,490	6,711	8,291
Unemployment insurance.....	4,478	4,722	6,193
Railroad retirement.....	2,388	2,657	2,972
Other programs.....	1,063	1,130	999
Proposed legislation included above.....		(13)	(-328)
Subtotal, outlays, cash benefits.....	76,703	87,782	101,782
Federal outlays for in-kind benefits (millions):			
Food and nutrition.....	3,842	4,932	5,768
Health care.....	13,802	17,366	20,048
Housing.....	1,602	1,877	2,245
Proposed legislation included above.....			(-55)
Subtotal, outlays, in-kind benefits.....	19,246	24,175	28,061
Total benefits.....	95,949	111,957	129,842

TARGET GROUPS

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

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

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

Table K-2. INCOME SECURITY BENEFITS BY TARGET GROUPS

	1973 actual	1974 estimate	1975 estimate	Percent of total 1975	Change 1973-75	Percent change 1973-75
Annuitants.....	28,209	32,573	38,135	29.4	9,926	35.1
Other aged.....	28,740	32,946	38,172	29.4	9,432	32.8
Disabled.....	13,542	17,407	20,370	15.7	6,828	50.4
Mothers and children.....	7,844	8,732	9,625	7.4	1,781	22.7
Temporarily unemployed.....	4,837	5,057	6,530	5.0	1,693	35.0
Other transitional low-income.....	5,830	7,038	7,899	6.1	2,069	35.5
Other.....	6,947	8,204	9,111	7.0	2,164	31.2
Total.....	95,949	111,957	129,842	100.0	33,893	35.3

THE AGED

Income security benefits for the elderly consist of wage replacement for heads of households severed from full-time gainful employment, benefits to women who depended on their husband's incomes as the main source of support, and assistance to those who were needy before they became aged.

In-kind program benefits received by the aged provide medical care through Medicare and Medicaid, and provide food and shelter on an income-tested basis.

Table K-3. INCOME SECURITY BENEFITS FOR THE AGED

	Benefit (millions)			Percent increase 1973-75
	1973 actual	1974 estimate	1975 estimate	
Covered employment:				
Social Security (OASI) members.....	37,123	42,560	49,150	32
Railroad employees.....	2,135	2,351	2,646	24
Federal civilian employees.....	3,323	4,409	5,383	62
Uniformed services members.....	679	759	828	22
Coal miners' widows.....	179	194	210	17
Public assistance including refugees and Indians.....	1,114	1,473	2,434	118
Income-tested veterans pension.....	1,440	1,427	1,573	9
Subtotal, cash benefit outlays.....	45,993	53,173	62,223	35
Medicare.....	9,039	9,826	11,134	23
Medicaid.....	1,539	2,058	2,399	56
Other in-kind.....	378	461	551	46
Subtotal, in-kind benefit outlays.....	10,956	12,346	14,084	29
Total.....	56,949	65,519	76,307	34

Annuityants.—In all four federally run contributory retirement systems, the benefit calculations are based upon the history of earnings.

Under Old-Age and Survivors Insurance (OASI), 11.8 million retired workers received pensions in 1973 related to the wages earned under the system. Some 394,000 recipients in 1973 were primary beneficiaries under the railroad retirement system, but about 41% of these retirees were also beneficiaries under the social security system. A total of 631,000 persons were beneficiaries of the civil service retirement system and 2,000 of the foreign service retirement system, with little or no overlap between these two Federal employee systems. Approximately 44% of the beneficiaries of the two Federal civilian employee systems are also receiving social security.

The probable total number of primary beneficiaries of all the contributory retirement systems is thus 12.4 million persons in 1973 and 13.9 million in 1975.

Table K-4. ANNUITIES TO PRIMARY BENEFICIARIES IN CONTRIBUTORY RETIREMENT SYSTEMS: ANNUITY BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENTS BY SYSTEM

	Benefit outlays (millions)			Number of primary beneficiaries (thousands)			Average monthly payments		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Old-age and survivors insurance.....	23,926	27,145	31,598	11,768	12,399	13,240	174	179	203
Railroad Retirement Board.....	1,285	1,395	1,593	394	392	406	264	294	326
Civil Service Commission Foreign Service retirement.....	2,973	4,002	4,907	631	720	764	393	463	534
	25	31	37	2	3	3	921	947	985
Total.....	28,209	32,573	38,135						

Other aged.—This category includes those programs or parts of programs which benefit the aged but where the benefit outlay to a specific individual is based upon criteria other than his or her own wage record. The criteria of the program may be a work history of some related person, and is not necessarily based on any measure of need. Underlying all these program outlays is the presumption that persons past a certain age (for example, 65) are generally not self-supporting through their own current earnings.

Average monthly cash benefits in 1975 range from \$56 for beneficiaries under the new Federal program of supplemental security income, which has replaced the federally assisted State programs of aid to the aged, to \$520 for aged retirees from the uniformed services.

Aged widows.—Aged widows account for \$12.9 billion in benefit outlays in 1975—or 34% of all benefits to the aged outside of annuities to primary beneficiaries. The 38% increase in benefit outlays to aged widows between 1973 and 1975 is due largely to the increase in widows benefits to 100% of her deceased husband's primary insurance amount and increased benefit levels under the social security and the railroad retirement systems. Some 4.7 million aged widows will receive benefits from social security in 1975 with 1.3 million widows covered in other programs. There is considerable overlap of these other program beneficiaries with those covered by social security.

Aged wives of retirees.—The entitlement of wives under OASI and railroad retirement is independent of any contribution history of their own, and requires only that they exceed a particular age. Where a wife has dual entitlement under social security based upon her earnings history, as well as her husband's, she will receive only the larger benefit. In the railroad retirement system, she receives both benefits. In 1975, 506,000 wives will have dual entitlement under social security in which the wife's benefit exceeds the benefit based upon her own earnings.

Table K-5. BENEFITS FOR THE AGED EXCEPT ANNUITIES TO PRIMARY BENEFICIARIES: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Benefits to aged widows:									
Social security (OAS-DI) members.....	7,624	9,357	10,775	4,115	4,442	4,669	144	163	183
Railroad employees.....	496	588	665	284	287	290	141	168	188
Federal civilian employees.....	325	376	439	170	179	188	159	175	195
Uniformed services members.....	710	736	810	638	651	655	93	94	103
Coal miners.....	179	194	210	58	81	93	170	178	178
Benefits to aged wives of living retirees:									
Social security (OAS-DI) members.....	3,350	3,727	4,268	3,197	3,294	3,439	87	94	103
Railroad employees.....	333	345	363	211	212	212	127	136	142
Minimum benefit payments:									
Social security (OAS-DI) members.....	1,795	1,845	1,950	2,059	1,980	1,950	73	78	83
Railroad employees.....	22	23	25	14	14	14	124	135	147
Dependents of aged retirees: Social security (OASDI) members.....									
	428	486	559	580	607	650	61	67	72
Aged retirees uniformed services.....									
	406	483	543	77	82	87	439	490	520
Aged veterans.....									
	1,003	968	1,046	1,153	1,148	1,107	72	70	79
Medicare.....									
	9,039	9,826	11,134	10,600	10,500	10,900	71	78	85
Public assistance to the aged, including refugees and Indians:									
Old-age assistance.....	1,114	1,564	15	1,961	1,883	47	47	50	26
Supplemental security income.....	-----	² 909	³ 2,419	-----	⁴ 2,489	⁴ 3,170	-----	⁴ 56	⁴ 56
Medicaid.....	1,539	2,058	2,399	4,000	5,152	5,141	32	33	39
In-kind benefits to needy aged:									
Food.....	126	165	205	810	859	827	13	16	21
Housing.....	252	297	346	814	925	1,023	26	27	28
Total.....	28,740	32,946	38,172	-----	-----	-----	-----	-----	-----

¹ Benefits for first half of year.

² Benefits for second half of year.

³ Includes \$87 million in 1974 and \$279 million in 1975 for Federal contributions to State supplementation payments.

⁴ Federal payment only.

Payments based on the minimum.—These are statutory minimum amounts paid to retired workers, to the dependents of such retired workers, and to noninsured beneficiaries age 72 and over.

Aged retirees of the uniformed services.—The retirement systems for the uniformed and military services are noncontributory, with benefits based on time in service and the rank achieved at the time of retirement, rather than the overall earnings history of the individual. Because military service is credited for social security coverage, there

is substantial overlap between the military retirement systems and OASI.

Disabled.—The disabled constitute the second target group for whom there is a presumption of permanent inability to achieve self-support. Eligibility for an income security benefit for the disabled person may be based on: membership in a contributory retirement system (OASDI or civil service), on military service, on occupation (coal miner), or on indigency (welfare).

Members of the social security system and the railroad retirement system are eligible for retirement benefits computed on their earnings history to the date of permanent disability. They are also eligible for Medicare benefits. Federal civilian employees receive a disability benefit based on total disability for his previous occupation—paying a minimum benefit of 40% of the average of his highest 3 years of earnings.

Table K-6. **BENEFITS FOR THE DISABLED: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT**

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Civilian covered employment:									
Disability insurance...	5,162	6,180	7,460	3,271	3,568	3,939	218	222	251
Federal civilian employees.....	910	1,200	1,457	241	273	289	314	367	421
Railroad employees....	196	218	227	60	61	59	270	303	332
Coal miners.....	625	645	555	203	326	331	237	249	248
Medicare for the disabled	-----	1,605	2,283	-----	1,223	1,377	-----	109	138
Uniformed services:									
Military service-connected disability....	3,804	3,934	3,981	3,095	3,108	3,104	102	105	107
Other: income-tested..	468	452	488	755	752	725	52	50	56
Other: nonincome-tested.....	8	10	11	3	3	3	263	309	336
Public assistance to the disabled, including refugees and Indians:									
Aid to the blind.....	56	128	(2)	78	78	1	60	61	10
Aid to the permanently and totally disabled.	778	1,453	8	1,172	1,239	23	55	61	29
Supplemental security income.....	-----	³ 894	⁴ 1,904	-----	⁵ 1,563	⁵ 1,623	-----	⁵ 88	⁵ 89
AFDC (disabled male head of family).....	397	432	459	1,208	1,223	1,260	27	29	30
Medicaid.....	1,017	1,198	1,340	2,137	2,547	2,573	40	39	43
In-kind benefits to needy disabled: Food.....	121	158	197	780	826	796	13	16	21
Total.....	13,542	17,407	20,370	-----	-----	-----	-----	-----	-----

¹ Benefits for first half of year.

² Less than \$500 thousand.

³ Benefits for second half of year.

⁴ Includes \$72 million in 1974 and \$173 million in 1975 for Federal contribution to State supplementary payment.

⁵ Federal benefit only.

Benefits to the disabled in the uniformed services are scaled to the degree of physical impairment rather than previous levels of earnings. Disability retirement from the military, and veterans compensation and indemnities, are both provided for disabilities which are presumptively service-connected. Veterans' pensions provide benefits to persons who have seen wartime military service for non-service-connected but presumptively total disability where financial need can be demonstrated.

Under the Federal Coal Mine Health and Safety Act, compensation is paid to black lung victims in amounts related to the workmen's compensation law provided for Federal employees (FECA). Eligible persons began registering for benefits in the spring of 1970. Many received a one-time retroactive benefit in 1973 and 1974.

Beginning in 1974, 1.6 million needy disabled will receive assistance under the new Federal supplemental security income program enacted in 1972 to replace State administered programs of assistance to the blind and disabled.

Approximately 3.9 million persons will receive disability benefits under social security in 1975. Another 289,000 individuals will receive benefits through Federal civilian employee programs. Allowing for overlap, some 4.1 million persons receive disability benefits calculated on their previous earnings. There is also substantial overlap between this group and those receiving disability benefits because of prior military service or employment in coal mines.

It is estimated that in 1975, 2.9 million adults and children will be supported by public assistance based on disability. Nearly all of these persons are eligible for Medicaid benefits.

Mothers and dependent children.—Benefit eligibility varies considerably for this last target group for whom self-support is not assumed to be universally possible. This group includes mothers with dependent children and no male breadwinner. Eligibility is determined either by the work history of a deceased husband or through a means test.

Table K-7. **BENEFITS FOR MOTHERS WITH DEPENDENT CHILDREN AND NO HUSBAND: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT**

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Benefits to widows of covered employees:									
Social Security (OASDI) members									
Railroad employees	4,699	5,171	5,913	3,454	3,589	3,682	250	250	279
Federal civilian employees	26	28	30	12	12	12	172	190	213
Uniformed service members	94	108	126	45	47	49	175	192	214
Coal miners	353	369	407	558	572	579	53	54	59
Public assistance (AFDC) mothers with preschool children:	38	42	44	18	27	29	269	282	280
Cash payments	1,769	1,923	1,936	5,380	5,446	5,615	27	29	29
Medical services	895	1,091	1,169	8,394	9,401	10,268	9	10	9
Total	7,844	8,732	9,625	-----	-----	-----	-----	-----	-----

Transitional low income.—The intent of income security outlays for able-bodied men and women is to tide over such persons during intervals when they cannot support themselves, until other measures correct the causes of such inability to provide self-support.

The major system of unemployment insurance, constituting 90% of unemployment benefits paid in 1973, is State-administered. This means that provisions, benefit levels, and duration of benefit availability varied by State.

Table K-8. **BENEFITS FOR TRANSITIONAL LOW INCOME AND OTHER: BENEFITS, BENEFICIARIES, AND AVERAGE PAYMENT**

	Benefits (millions)			Number of beneficiaries (thousands)			Average monthly payments		
	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.	1973 actual	1974 est.	1975 est.
Temporary unemployment:									
Unemployment insurance system.....	4,405	4,652	6,126	5,409	6,117	6,234	68	63	82
Other unemployment benefits.....	432	405	404	372	360	359	97	94	94
Long-term unemployment:									
Unemployed fathers....	190	204	185	527	485	444	30	35	35
Mothers with all children in school.....	1,277	1,388	1,396	3,882	3,930	4,051	27	29	29
Other income-tested ¹ ..	16	17	14	17	17	10	75	82	118
In-kind benefits, low income:									
Food ²	2,047	2,700	3,164	20,258	22,793	23,411	8	10	11
Housing ²	1,350	1,572	1,900	5,038	5,626	6,554	22	23	24
Medical.....	950	1,157	1,240	9,006	10,087	10,584	9	10	10
Subtotal, transitional low income.....	<u>10,667</u>	<u>12,059</u>	<u>14,429</u>	-----	-----	-----	-----	-----	-----
Uniformed services retirees under 65.....	3,321	3,950	4,452	692	739	781	400	445	475
Food for nonneedy children.....	564	631	618	28,365	28,027	29,110	2	2	2
Other.....	3,062	3,623	4,041	-----	-----	-----	-----	-----	-----
Subtotal, other....	<u>6,947</u>	<u>8,204</u>	<u>9,111</u>	-----	-----	-----	-----	-----	-----
Total.....	17,614	20,299	23,540	-----	-----	-----	-----	-----	-----

¹ Includes all AFDC related assistance to refugees and Indians.

² Include all benefits to AFDC and UF families.

There are also unemployment benefit programs for Federal employees and ex-servicemen, railroad employees, and for unemployed workers in industries adversely affected by foreign trade. These programs are federally financed, but except for railroad retirement unemployment insurance, are State-administered.

A second set of programs providing income security benefits to able-bodied men and women are means-tested cash and in-kind benefit programs.

Additional benefits are provided to uniformed services retirees under the age of 65.

Needs-tested benefits.—Public assistance, veterans and survivors pension, Medicaid, and food and housing programs provide benefits to individuals based on a test of need. In addition to that test, eligibility for cash assistance may be based on such considerations as prior military service, age, disability, or absence of a male breadwinner in a family.

Table K-9. NEEDS-TESTED BENEFITS BY TARGET GROUPS AND PROGRAM

	Benefits (millions)		
	1973 actual	1974 estimate	1975 estimate
Total, needs-tested benefits	17,901	21,593	25,304
Benefits to the aged:			
Public assistance.....	1,114	1,473	2,434
Veterans and survivors pension.....	1,440	1,427	1,573
Medicaid.....	1,539	2,058	2,399
Other.....	378	461	551
Subtotal, benefits to the aged.....	4,471	5,419	6,957
Benefits to the disabled:			
Public assistance.....	1,231	1,807	2,371
Veterans and survivors pension.....	468	452	488
Medicaid.....	1,017	1,198	1,340
Other.....	121	158	197
Subtotal, benefits to the disabled.....	2,837	3,615	4,396
Benefits to mothers:			
Public assistance.....	3,046	3,311	3,332
Veterans and survivors pension.....	205	215	247
Medicaid.....	1,845	2,248	2,409
Other.....	1,829	2,272	2,838
Subtotal, benefits to mothers.....	6,925	8,046	8,826
Benefits to the unemployed:			
Public assistance.....	190	204	185
Other.....	83	109	136
Subtotal benefits to unemployed.....	273	313	321
Benefits, other:			
Veterans and survivors pensions.....	452	474	544
All other.....	2,943	3,726	4,260
Subtotal, other.....	3,395	4,200	4,804
Public assistance.....	5,490	6,711	8,291
Veterans and survivors pension.....	2,565	2,568	2,852
Medicaid.....	4,402	5,505	6,148
Food.....	3,842	4,932	5,768
Housing.....	1,602	1,877	2,245

Table K-10. FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM

Department, agency and program	Benefit outlays (in millions of dollars)		
	1973 actual	1974 estimate	1975 estimate
Department of Health, Education, and Welfare:			
Social security:			
Old-age and survivors insurance.....	42,170	48,118	55,459
Disability insurance.....	5,162	6,180	7,460
Hospital insurance.....	6,648	8,465	9,831
Supplementary medical insurance.....	2,391	2,966	3,586
Public assistance:			
Maintenance payments.....	5,490	6,711	8,291
Medicaid.....	4,402	5,505	6,148
Special benefits for disabled coal miners.....	915	956	869
Assistance to refugees.....	106	103	46
Public health service officers retirement.....	14	20	24
Medical care for retired commissioned officers.....	4	3	5
Proposed legislation included above.....	-----	-----	(-603)
Total, Health, Education, and Welfare.....	67,302	79,027	91,718
Veterans Administration:			
Disability and dependency and indemnity compensation.....	3,836	3,909	3,946
Veterans and survivors pensions.....	2,565	2,568	2,852
Life insurance (net subsidy).....	21	17	18
Other veterans benefits.....	114	170	107
Proposed legislation included above.....	-----	-----	(165)
Total, Veterans Administration.....	6,536	6,665	6,923
Department of Labor:			
Unemployment insurance (State programs).....	4,405	4,652	6,126
Railroad unemployment.....	73	70	67
Unemployment compensation for Federal employees and ex-servicemen.....	391	365	366
Employee compensation.....	220	259	297
Special benefits for disabled coal miners.....	-----	25	36
Total, Labor.....	5,088	5,371	6,892
Department of Defense—Military:			
Military retirement.....	4,390	5,158	5,740
Medical care for retirees.....	357	427	478
Proposed legislation included above.....	-----	(13)	(55)
Total, Defense.....	4,747	5,585	6,218
Department of Agriculture:			
Food stamps.....	2,136	2,887	3,830
Child nutrition.....	1,342	1,660	1,705
Special milk.....	90	93	119
Removal of surplus commodities.....	274	292	113
Total, Agriculture.....	3,842	4,932	5,768

Table K-10. FEDERAL OUTLAYS FOR INCOME SECURITY BENEFITS, BY DEPARTMENT AND PROGRAM—Continued

Department, agency and program	Benefit outlays (in millions of dollars)		
	1973 actual	1974 estimate	1975 estimate
Civil Service Commission:			
Civil service retirement.....	4,295	5,672	6,917
Total, Civil Service Commission.....	4,295	5,672	6,917
Railroad Retirement Board:			
Railroad retirement.....	2,388	2,657	2,972
Total, Railroad Retirement Board.....	2,388	2,657	2,972
Department of Housing and Urban Development:			
Public housing.....	1,043	1,166	1,325
Rent supplements.....	107	144	189
Interest supplements.....	453	567	731
Total, Housing and Urban Development.....	1,602	1,877	2,245
Department of Transportation:			
Coast Guard retirement.....	76	87	96
Total, Transportation.....	76	87	96
Department of State:			
Foreign Service retirement.....	30	37	44
Total, State.....	30	37	44
Department of the Interior:			
General assistance to Indians.....	42	46	48
Total, Interior.....	42	46	48
Department of Commerce:			
NOAA officers retirement.....	1	2	2
Total, Commerce.....	1	2	2
Total, Federal outlays.....	95,949	111,957	129,842

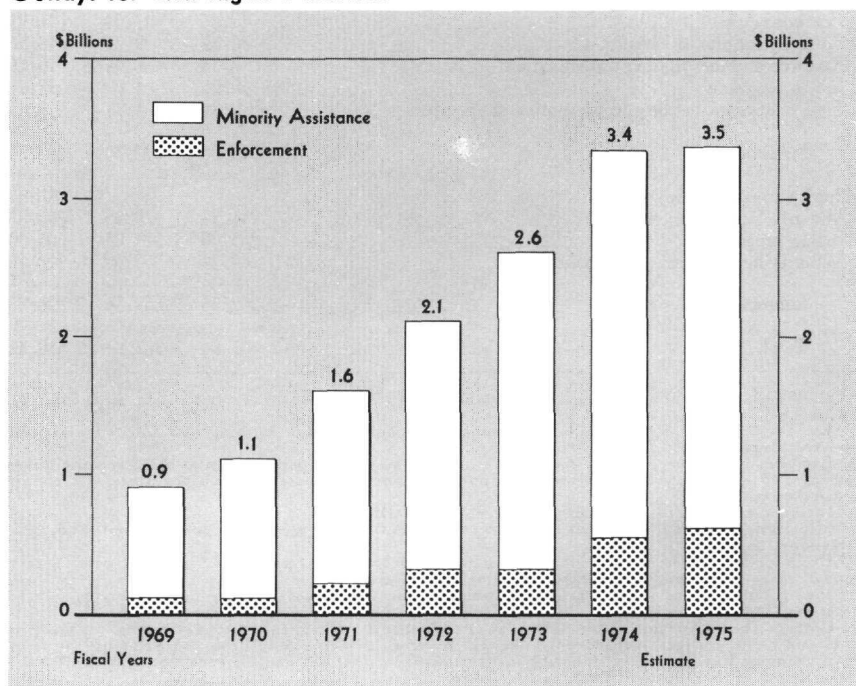
SPECIAL ANALYSIS L

FEDERAL CIVIL RIGHTS ACTIVITIES

COVERAGE AND SCOPE OF THE ANALYSIS

This analysis of Federal civil rights activities comprises more than the traditional programs and policies related to civil rights enforcement. In addition to Federal activities regarding the protection of such rights as voting, public accommodations, fair housing, and equal employment opportunity in the public and private sectors, there are included Federal programs specifically related to the provision of equality of other opportunities to certain identifiable minority groups. The latter programs include activities in desegregation assistance, civil rights research and information dissemination, and the conciliation and prevention of racial disputes. Total outlays have risen from \$1.1 billion in 1970 to \$3.5 billion in 1975.

Outlays for Civil Rights Activities



Further, there are included in this analysis programs which have as their goal the broadening of economic participation on the part of minorities including the achievement of self-determination by American Indians. These programs include the efforts of Federal agencies to foster minority business enterprise and to increase deposits in minority-owned banks, education programs to expand assistance to minority institutions, and Federal expenditures to improve the living conditions of American Indians. The distinction between the categories of funds discussed in this analysis is an important one and the reader is cautioned to read carefully the definitions contained in the footnotes to the various tables.

Table L-1. FEDERAL CIVIL RIGHTS OUTLAYS BY PROGRAM CATEGORY
(in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Civil rights enforcement: ¹			
Federal service equal employment opportunities	95.89	117.60	125.01
Military services equal opportunities ²	32.51	48.19	50.81
Private sector equal employment opportunities	58.63	77.66	94.00
Equal educational opportunity	61.97	211.09	258.84
Fair housing ³	12.63	14.51	16.75
Enforcement and investigation ⁴	36.72	39.21	43.50
Research and information dissemination	7.38	8.95	10.16
Indian programs .....	.71	1.09	1.17
Civil rights conciliation and prevention of disputes	6.64	4.08	3.60
Subtotal	313.08	522.38	603.84
Minority assistance programs: ⁵			
Minority business enterprise ⁶	941.54	1,179.96	1,201.52
Indian programs ⁷	1,285.00	1,581.00	1,605.00
Minority higher educational assistance ⁸	66.22	98.60	120.16
Subtotal	2,292.76	2,859.56	2,926.68
Total	2,605.84	3,381.94	3,530.52

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

² Excludes outlays of \$15.4 million for contract compliance, fair housing and title VI activities reported elsewhere.

³ Excludes funds for contract compliance and departmental personnel who directly administer housing and urban development programs but also concern themselves with the objectives of fair housing laws.

⁴ Includes all title VI efforts except HEW and HUD.

⁵ Minority assistance programs broaden opportunities for economic participation and self-determination.

⁶ Excludes the minority bank deposit program and Indian programs, but includes loans, surety bonds, guarantees and 8(a) contracts at obligated values.

⁷ Indian outlays also include programs which do not deliver services or benefits exclusively to American Indians.

⁸ Outlays shown in the above table for predominantly black colleges (developing institutions and land-grant colleges) reflect only the HEW program for strengthening developing minority institutions and assistance to minority institutions from the National Science Foundation and the Department of Agriculture. They exclude other Federal financial assistance in this area and the Federal share of Howard University expenses.

Programs relating to problems of the economically and socially disadvantaged, even when they include substantial minority participation, whether in manpower training, community development, or bilingual education, will generally not be treated as civil rights activities for they are more properly considered in other analyses in this document.¹

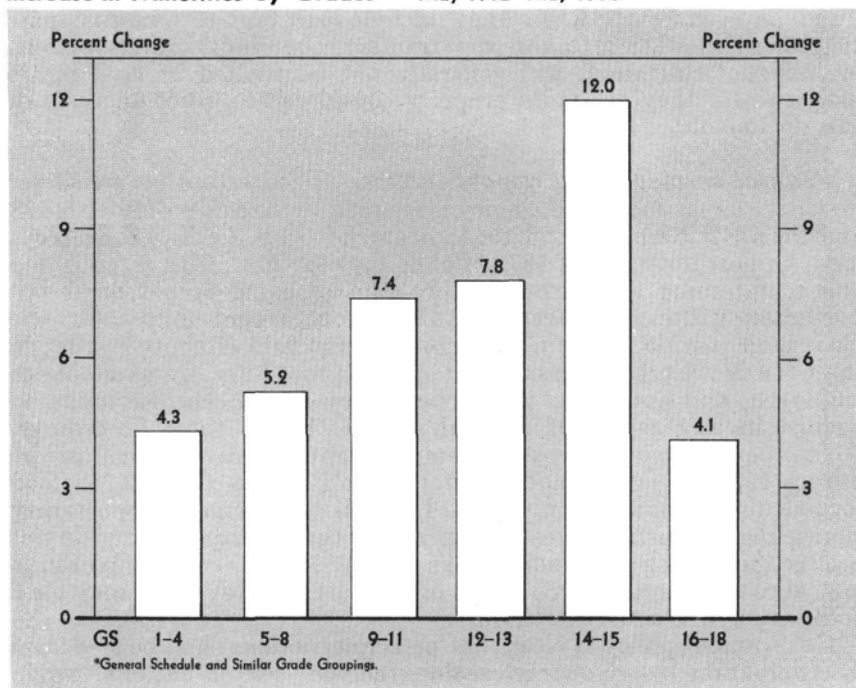
Federal service equal opportunities.—The head of each Federal executive department and agency is charged by Executive Order 11478 and the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972 (Public Law 92-261), with establishing and maintaining an affirmative program of equal employment opportunity within the agency. Enforcement responsibility for the Government-wide program is assigned by law and Executive order to the Civil Service Commission and special procedures are available to employees and applicants who believe they have been discriminated against in any aspect of Federal service. Under these procedures, 26,627 persons contacted equal employment opportunity counselors during 1973 for advice and assistance, and of this total, 2,743 filed formal discrimination complaints. If equal employment opportunity counseling, impartial investigation and a third-party hearing do not resolve the matter to an individual's satisfaction, the complainant may appeal to the Commission's Board of Appeals and Review or may file a civil action in U.S. District Court.

Government policy is clear that personnel actions shall be free from discrimination based on race, color, religion, sex or national origin and in requiring Federal agencies to take affirmative action to assure equal employment opportunity. Agency equal employment opportunity programs are documented in written national and regional plans of action and are being changed to include newly required, mutually agreed upon goals and timetables for increasing opportunities for minorities and women. These plans must be submitted to the Commission annually for review and approval. Careful consideration is to be given to assure that recruitment activities reach all sources of job candidates, that present employee skills are fully utilized, that opportunities for upward mobility are provided and that managers are trained with regard to their equal employment opportunities responsibilities.

Outlays for Federal civil service employment opportunity programs (including upward mobility) will increase by 32% in the 2 years, 1973 to 1975, to \$125 million. Years of effort will increase by 892 to 3,849. Although firm projections on the results of these increased efforts are difficult to make, the favorable trends observed in recent years should continue.

¹ For example, expenditures for minority participants in manpower training programs (41%) are not included. See Special Analysis 1, Federal manpower programs.

Increase in Minorities by Grades*—May 1972–May 1973



As of May 31, 1973, over one-fifth (20.4%) of Federal employees were members of minority groups. Despite a decrease in overall Federal employment, there has been a continuing trend of more minorities in Federal service and increased representation of minorities in the middle and upper grade and pay levels. (See chart above.) Under general schedule and similar pay plans, more than 35,000 minority employees were added to the roles between November 1969 and May 1973 and minority increases in the middle and upper grade levels occurred at much faster rates than for nonminorities.

As of October 31, 1972, women occupied 40.3% of full-time non-postal Federal white-collar positions and accounted for 58% of the total net increase in Federal white-collar employment in the prior year. Between October 1970 and October 1972, a time of decreasing Federal employment, 7,270 more women held positions at levels GS-7 through GS-12. At the same time, the number of women holding positions at levels GS-13 and above increased by 650 or 9.2%.

Two special emphasis programs address the specific employment problems of particular groups. Within the overall equal employment opportunity program, the Federal women's program addresses the particular employment needs and problems of women, and the Spanish-speaking program implements a 16-point Presidential mandate to provide opportunities for Spanish-speaking citizens. The successful placement of many additional women and Spanish-speaking Americans in middle-management and executive-level Federal jobs during a period of employment contraction is largely attributable to special efforts under this program.

Finally, under the Intergovernmental Personnel Act of 1970, the Civil Service Commission provides financial and technical assistance in personnel management and employee training and in monitoring merit employment requirements applicable to many State and local grant-in-aid programs. Major emphasis is placed on equal employment activity. Under this program, the Commission has:

- Awarded grants for 29 State and local government projects relating to equal employment opportunity.
- Aided some 40 State systems subject to merit standards and more than 400 State and local agencies administering grants-in-aid in the development of affirmative action plans.
- Made over 3,000 contracts geared to removing artificial employment barriers and improved personnel systems at State and local levels through expenditures for equal employment opportunity related technical assistance.

In 1975, the Commission will award \$1 million in grants under this act.

Military services equal opportunities.—Each of the military services has placed equal opportunity officers and their staffs at various levels within individual command structures. They guide, monitor, and evaluate all matters pertaining to the equal opportunity and treatment of military personnel and their dependents and are responsible for and participate in race relations councils, seminars, and training. In 1975, outlays for providing equal opportunities for members of the armed services, excluding contract compliance, title VI and fair housing expenditures reported elsewhere, will increase 5.4% to \$50.8 million. An additional 476 years of effort will be devoted to securing compliance with the law.

Equal opportunity for servicewomen has received added emphasis. As the number of women in the military services continues to rise at a rapid rate, greater utilization is being made of their talents. The Army has now opened 90% of their enlisted occupational specialties to women as opposed to 30% previously. The Navy has stationed a

limited number of women at sea and has started to train women as noncombat pilots. The Air Force has increased the skill ladders open to women from 43% to 98%. All services have opened their ROTC programs to women and women serve at general/flag officer rank in each of the military departments.

The Defense Race Relations Institute, located at Patrick Air Force Base, Fla., trains officers and enlisted personnel for service with their units as instructors. The institute has graduated over 2,200 instructors from all the departments in the past 3 years. Training and education in race relations are included in service schools ranging from basic training to the senior service colleges. Special programs are also designed to increase minority participation in skilled jobs, examine current testing procedures for cultural bias, and to utilize race relations handbooks.

Recruiting efforts will continue to insure balanced minority participation in the military services. All services have increased the percentage of minority recruiters. One example of success is the service academies where the enrollment of 362 minority cadets in the 1973 class is more than double the number entering in 1971. Presently there are over 850 minority cadets enrolled in the academies. Significant progress has also been made in procuring minority officers from reserve officer training programs and officer candidate/training schools and in the detailing of qualified minority officers to attend senior and intermediate level professional military schools. Programs have also been established to recruit more minority lawyers as officers in the military services' Judge Advocate General Corps.

At the present time there are 16 minority general officers on active duty. Prior to 1971 only four minority officers had ever achieved general/flag officer rank in the entire history of the armed services. Minority personnel have also been increasing their proportion in the top enlisted ranks. For example, the top enlisted position in the Air Force is currently held by a minority.

Private sector opportunities.—Title VII of the Civil Rights Act of 1964, as amended, prohibits discrimination in employment on the basis of race, color, religion, sex, or national origin by either employers, unions, or employment agencies. Executive Order 11246, as amended, requires Federal and federally assisted Government contractors and subcontractors to provide similar opportunities. Outlays for the agencies charged with these responsibilities, the Equal Employment Opportunity Commission, the Justice Department, the Department of Labor and 18 cooperating agencies, will total \$94 million in 1975, an increase of 21%.

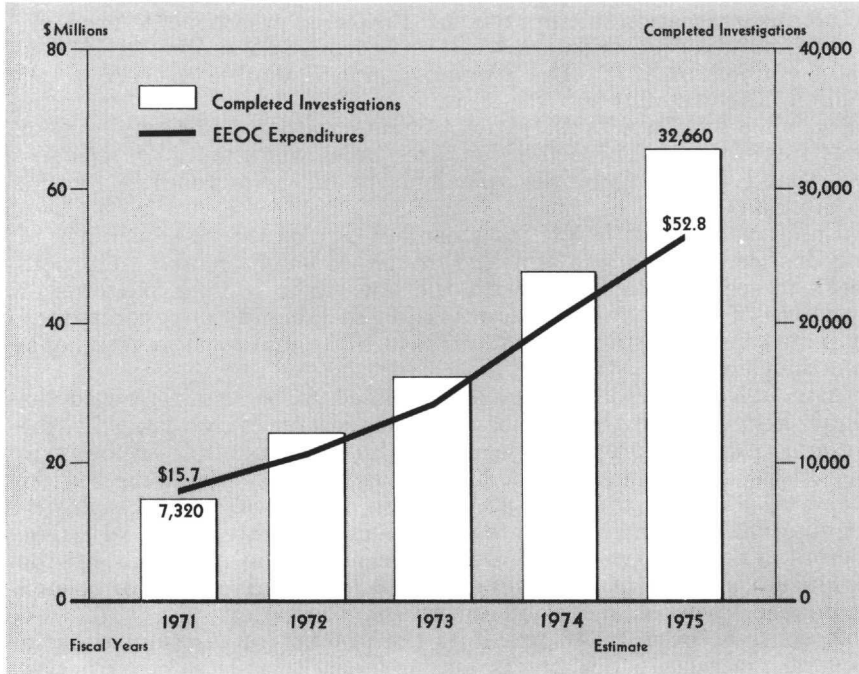
The Equal Employment Opportunity Commission will spend \$52.8 million, an increase of 28%, to carry out its responsibilities relating to nondiscrimination in employment. Projected cash benefits resulting from Commission conciliations will grow from \$2.2 million in 1969 to \$30.6 million in 1975. The Commission will double in 1975 to \$5 million the amount of its grants to State and local agencies responsible for the administration of State and local fair employment practices statutes. These additional resources will allow such agencies to expand their capabilities, particularly on cases referred by the Commission.

Enforcement of title VII, as amended, is also the responsibility of the Justice Department which, through conciliation and litigation, seeks to secure compliance with the law where it finds patterns or practices of employment discrimination in labor unions, companies, or industries and, since March 1972, in State and local governments and their agencies.

Although this responsibility is scheduled to be transferred to the Equal Employment Opportunity Commission on March 24, 1974, the Administration is proposing legislation to continue the authority in the Justice Department for 2 additional years. In 1975, the Justice Department plans to spend \$2.9 million to help eliminate such discrimination in both the private sector and the State and local public sectors. The effectiveness of this program can be measured by the significant increase in the number of jobs in the private sector opened to minority persons and women in recent years.

Executive Order 11246 prohibits the practice of discrimination in Federal contracts, subcontracts, and on federally assisted construction projects. Nondiscrimination assurances cover construction as well as industrial work forces and require affirmative action on the part of recipients of Federal contract moneys to promote the equal employment of minorities and women. In 1975, the Federal agencies responsible for implementing this order will spend \$36.5 million, 48% more than the 1973 outlays of \$24.7 million. Approximately 500,000 new hires and promotions will have been promised in or achieved by such action plans.

Equal Employment Opportunity Commission Activities



Sixty-three "citywide" plans for affirmative action in the construction industry, including the well-known "Philadelphia plan," have been put into effect. In addition, the Office of Federal Contract Compliance, Department of Labor, is continuing to develop proposals for statewide construction programs, which would cover all Federal and federally assisted construction contracts. Alaska, Delaware, and Rhode Island are already covered by such plans.

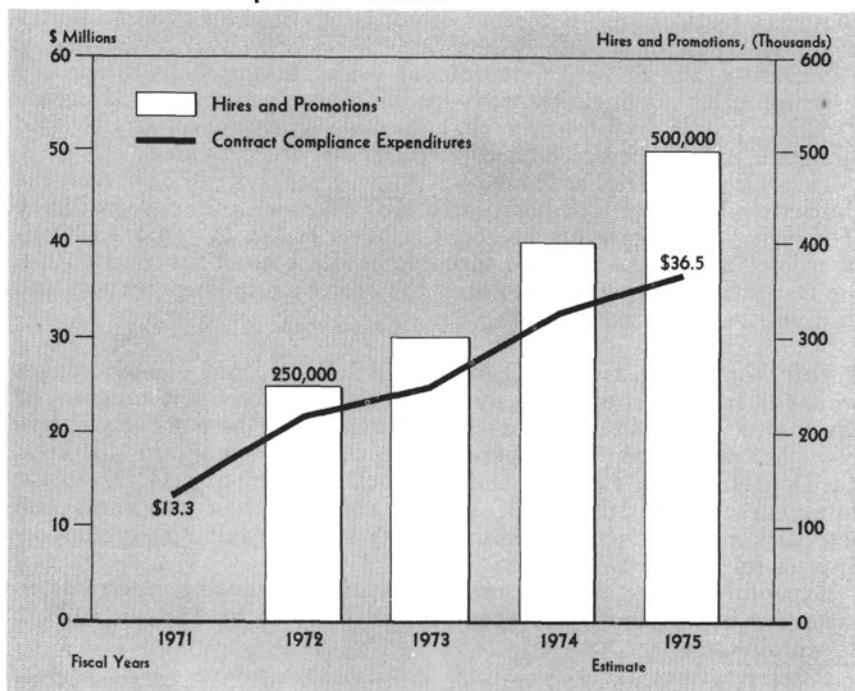
Efforts underway in 1974 to increase the effectiveness of both title VII and Executive Order 11246 will be strengthened. Such efforts include the continued expansion of a performance management system² in the Equal Employment Opportunity Commission, improved information and management systems for Federal contract compliance activities and the use of the management by objective process.

Other highlights include:

- The Federal Communications Commission, an independent regulatory agency, will spend \$0.3 million in 1975 to investigate complaints of employment discrimination by broadcasters, cable television systems, and common carriers and to review licensees' annual reports of employment patterns.

² Under this system, managers define explicit program objectives, establish time-phased performance targets consistent with available resources, and then periodically must report comparisons of accomplishments against targets.

Federal Contract Compliance Activities



¹ From affirmative action plans in non-construction contracts. Data prior to 1972 is unavailable.

- The Department of Labor will spend \$3.2 million in administering the Equal Pay Act. In 1973, \$18 million in back wages was found owed to 32,000 employees, primarily women, as a result of such efforts.

Equal education opportunity.—The Department of Health, Education, and Welfare and the Justice Department have primary responsibility for assuring equal educational opportunity in public schools for all citizens on a nondiscriminatory basis and to assure that there is no discrimination against either faculty or administrators. In 1975, educational programs in support of these goals will spend \$259 million, excluding capital assistance to predominantly black colleges (developing institutions and land-grant colleges), an increase of 23%.

To enforce Federal laws requiring equal education opportunities for public school students, the Justice Department will spend \$2.8 million in the coming year, an increase of 13%. Although substantial compliance with the constitutional mandate has been achieved in recent years, the Justice Department continues its enforcement supervision through 235 cases involving 540 school systems.

The desegregation of schools is progressing nationwide. In 1975, the Administration will continue its commitment to assist school districts in this important process by proposing new legislation to help achieve this goal. In addition, under the emergency school assistance program, outlays will grow from \$197 million in 1974 to \$242 million

in 1975 to assist local educational agencies and other public or private nonprofit institutions in further eliminating the effects of minority group isolation in school systems.

Currently, the Federal Government is also taking steps to end the discrimination against Spanish-speaking and other non-English-speaking pupils by insuring that special education programs and bilingual and bicultural education programs are provided.

Title IX of the Higher Education Amendments of 1972 charged the Department of Health, Education, and Welfare with the responsibility of insuring nondiscrimination on the basis of sex in some 2,700 institutions of higher education throughout the United States. In 1974, the Department expects to conduct 224 onsite compliance reviews and to investigate 173 complaints.

Fair housing.—Title VIII of the Civil Rights Act of 1968 makes unlawful any discrimination on the basis of race, color, religion, or national origin in the sale, rental, or financing of housing. Executive agencies are required to cooperate with the lead agency in this area, the Department of Housing and Urban Development (HUD), in the administration of title VIII, and to conduct their programs and activities in a manner that affirmatively furthers fair housing opportunities for all Americans.

Expenditures for the administration of fair housing programs in executive departments and agencies will increase by 15% in 1975 to \$16.8 million.

- HUD will spend \$4.7 million, an increase of 23%, to strengthen its efforts under title VIII and enable it to reduce the backlog in the reactive complaint system.
- The Department of Justice will spend \$2.2 million in the development, litigation, and negotiation of cases to enforce title VIII, an increase of 13%.
- The Department of Defense will spend \$4.9 million to assure the rights of all military personnel to available off-base housing.
- The General Services Administration (GSA) will spend \$0.9 million to assure that federally constructed, purchase-contract or leased space is located where there is an adequate supply of low- and moderate-income housing available on a nondiscriminatory basis.
- In cooperation with the fair housing goal of the executive branch, the independent Federal financial regulatory agencies will continue to monitor the institutions subject to their supervision to assure that their real estate lending services are available without regard to race, color, religion, or national origin.

HUD will continue its efforts to insure that the administration of all Federal housing-related programs further the fair housing objectives of title VIII. Such efforts include oversight of affirmative marketing and advertising guidelines and policies for project selection of federally assisted programs; a national advertising campaign and expanded affirmative action programs aimed at all elements of the public; and communitywide hearings and reviews of title VIII compliance.

The Justice Department has brought 154 suits against 427 defendants in 28 States and the District of Columbia aimed at securing

comprehensive affirmative relief to correct the effects of past housing discrimination and to maximize equal opportunity in the future. In addition, more than 216 voluntary compliance agreements have been negotiated with title insurance companies, real estate boards, private apartment house owners, and realtors nationwide, increasingly involving associations rather than individual entities. The Department's efforts are supplemented by private lawsuits under the Fair Housing Act, and complaints to the Secretary of HUD.

The Defense Department expects to continue its successful implementation of the open off-base housing program. In 1967, less than 20% of the multiunit rental facilities surveyed were indicated as available to all military personnel on an equal opportunity basis. Today, 98% of surveyed facilities are pledged to a policy of nondiscrimination. Between 1969 and 1972 black military occupancy in these facilities increased 50%. During 1973, Defense revised its procedures to take stronger measures against landlords practicing race and sex discrimination. In 1975, Defense will devote 501 years of effort to furthering this record of achievement.

GSA, under Executive Order 11512, will expend 44 years of effort on matters relating to the positive impact that selection of sites for Federal facilities can have on the social and economic conditions in

Table L-2. FEDERAL CIVIL RIGHTS OUTLAYS BY TYPE OF ACTIVITY
(in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Civil rights enforcement: ¹			
Complaint conciliation.....	18.44	18.47	20.11
Complaint investigation.....	40.31	46.02	51.02
Compliance review and monitoring.....	90.69	109.44	121.23
Legal enforcement.....	14.17	19.88	23.56
Program direction, research and information dissemination.....	14.28	19.38	24.41
Technical assistance.....	3.71	3.91	7.86
Equal educational opportunity.....	61.97	211.09	258.84
Military services equal opportunities.....	32.51	48.19	50.81
Upward mobility.....	37.00	46.00	46.00
Subtotal.....	313.08	522.38	603.84
Minority assistance programs: ²			
Capital assistance—grants.....	1,369.04	1,696.22	1,757.48
Capital assistance—loans ³	340.84	525.91	525.00
Capital assistance—guarantees ³	181.41	181.41	149.32
Procurement from minorities ⁴	388.25	441.23	475.18
Program direction and support.....	13.22	14.79	19.70
Subtotal.....	2,292.76	2,859.56	2,926.68
Total.....	2,605.84	3,381.94	3,530.52

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

² Minority assistance programs broaden opportunities for economic participation and self-determination, including Indian programs.

³ Loans and guarantees are entered at their obligated value but do not necessarily represent any Federal expenditure.

⁴ 8(a) contracts are entered at their obligated values.

the area. GSA and HUD are continuing to develop affirmative action plans where necessary to insure that an adequate supply of low- and moderate-income housing will be available on a nondiscriminatory basis. For agencies like AEC, which procure space and facilities on their own, efforts similar to the above will be carried out.

Civil rights enforcement.—Primary responsibility for the enforcement of civil rights laws and constitutional guarantees is vested in the Justice Department. This includes the development, negotiation, conciliation, and litigation of cases and complaints. In 1975, the Justice Department and other agencies with enforcement responsibility will spend \$43.5 million, an increase of 11%, to carry out the above mandate. In addition to activities related to employment discrimination, fair housing and public education, which are treated elsewhere in this analysis, the efforts of the Department will be directed toward increased compliance with those laws which prohibit the interference with basic civil rights, including the right to vote and the use of public accommodations and facilities. The Department will also coordinate more closely other Federal agencies' enforcement activities under title VI of the 1964 Civil Rights Act which prohibits discrimination in federally assisted programs.

In 1975, the Justice Department will once again allocate resources as necessary for litigation to protect the civil rights of citizens who may have suffered violence or threats of violence including special protections for migrant workers, prison inmates, and American Indians. Attention will also continue to be directed to civil litigation involving injustices and substandard conditions in correctional institutions, mental hospitals, and juvenile homes.

The voting rights program continues its efforts to secure to all citizens the right to register and vote without discrimination or intimidation. In addition, all proposed changes affecting voting under section 5 of the Voting Rights Act of 1965 are submitted to the Attorney General and must be investigated, reviewed, and adjudicated in the Department of Justice. 3,093 such changes have been received since 1970. In support of the voting rights program, the Civil Service Commission provides personnel to prepare and maintain lists of eligible voters and to observe election procedures in States or other political subdivisions designated by the Attorney General. The Commission receives complaints, hears and determines challenges, and assists in the defense of challenge cases filed in the U.S. circuit courts of appeals. In 1975, the Commission will spend \$0.5 million to assist in this responsibility.

The coordination by the Justice Department of the title VI requirements of agency grant programs will in 1975 continue to emphasize, in addition to litigation, the close monitoring of such operations in some 30 departments and agencies. Assisted by an amended Executive Order 11247 strengthening the Attorney General's authority, this stepped-up coordination should result in a continuing improvement of title VI enforcement.

Civil rights research and information dissemination.—Expenditures grouped in this category include all moneys for civil rights activities not counted elsewhere as well as Federal research and information dissemination efforts. Outlays will increase 14% in this area to \$10.2 million in 1975.

- The Commission on Civil Rights will spend \$6.74 million in 1975 to carry on its factfinding function relating to denials of equal protection under the law.
- The Women's Bureau, Department of Labor, will devote \$1.9 million to questions and issues relating to the utilization of womanpower and the economic, legal, and civil status of women. The Bureau works with appropriate State, national, international, local, and union organizations, and concerned individuals in achieving its goals and also provides support services to the Citizens Advisory Council on the Status of Women.
- The Cabinet Committee on Opportunities for the Spanish-Speaking People which was established under law in 1969 for 5 years to advise on the particular needs and problems of the Spanish-speaking, will spend \$1.1 million in 1975. Not only has the function of making Federal agencies aware of the needs of the Spanish-speaking been largely accomplished but many Spanish-speaking employees have been hired to staff Federal programs. Legislation will be proposed to extend the authorization of the committee through June 30, 1975.
- The women's action program, Department of Health, Education, and Welfare (HEW), will spend \$0.4 million in 1975 to analyze the effects of HEW programs on women and the changes required to help attain equality for women.
- The Council of Economic Advisers will spend \$0.1 million in the coming year for the work of the Advisory Committee on the Economic Role of Women which, together with supporting staff work, will continue to develop improved information, identify problems and make recommendations regarding women in the economy.

Civil rights conciliation and prevention of disputes.—The Community Relations Service of the Department of Justice was established by title X of the Civil Rights Act of 1964 to provide assistance to communities in resolving difficulties arising from discriminatory practices which disrupt peaceful relations among citizens. It also seeks to reduce and prevent racial tensions. The Service actively cooperates with appropriate Federal, State, and local agencies, private and public groups and individuals on methods and programs for the peaceful resolution of racial disputes.

In 1975, the Service will spend \$3.6 million to reduce racial tensions. This will permit an expansion in crisis resolution and State liaison activities. State liaison representatives will be working with State and local officials in developing their own crisis contingency plans to enable communities to eventually provide community relations services for themselves.

Indians.—The policy of the Federal Government relating to American Indians is set forth in the message sent to the Congress on July 8, 1970.

“Federal termination errs in one direction, Federal paternalism errs in the other. Only by clearly rejecting both of these extremes can we achieve a policy which truly serves the best interests of the Indian people. Self-determination among the Indian people can

and must be encouraged without the threat of eventual termination."

More and more tribes have been taking over services previously performed by the Government on reservations thereby realizing greater benefits of the Administration's policy of self-determination—Indian solutions to local Indian problems. In addition to encouraging tribes to provide basic social services and property management themselves, the tribes participated in the development of the 1975 budget program of the Bureau of Indian Affairs (BIA) in the Department of the Interior. For the coming year, the BIA budget provides 59% of the funds for Indians on reservations and Alaska Natives. Other highlights include:

- Payments to Alaska Natives from the Alaska Native fund will total \$72 million in 1975 to compensate them for their claims.
- An Indian self-determination block-grant program will be established in 1975. More than \$25 million will be offered to Indians in lieu of some of the current economic and resource development programs.
- Expenditures to protect the basic civil rights of Indians will increase by 10% to \$0.9 million in 1975. Both the Office of the Solicitor, Department of the Interior, and the newly established Office of Indian Rights, Department of Justice, will provide legal services in this area. Legal research efforts under title VIII of the Civil Rights Act of 1968 will continue at Interior.
- The numbers of Indians receiving higher education assistance will grow 9% in 1975 to a total of 14,700. Particular attention will be directed toward students in the professions of law, medicine and dentistry.
- The National Council on Indian Opportunity, which serves as a direct communications link between the Indian people and appropriate officials of the U.S. Government, will spend \$0.3 million to:
 - encourage full use of Federal programs to benefit Indians;
 - encourage interagency coordination and cooperation;
 - measure impact and progress of Federal programs; and
 - suggest ways to improve such programs.

This category is comprised of all expenditures on Indian programs. In 1975, these programs will have outlays of \$1.61 billion and support the economic and social development of American Indians on reservations and Alaska Natives

Minority business enterprise.—The moneys and programs discussed in this section aim to broaden economic participation on the part of minorities. Outlays for minority business enterprise are designed to increase minority business opportunities. Expenditures result primarily from grants, loans, loan guarantees, and the provision of special opportunities to minority entrepreneurs to provide goods, labor, and services to either Federal agencies or contractors.

The Office of Minority Business Enterprise (OMBE) was created in the Department of Commerce on March 6, 1969 (Executive Order 11458), to coordinate all Federal programs which could be of assistance to minorities who seek to establish or expand businesses. It offers advisory services and counseling and serves as a clearinghouse for all information relating to minority enterprise.

To promote equality of minority access to business opportunities and resources, OMBE stimulates the development of new areas of assistance for minority business formation and strengthening both in the public and private sectors. OMBE's scope was broadened on October 13, 1971 (Executive Order 11625), to include grant and contract authority to local and national business development organizations. Efforts to improve the management of OMBE programs are being expanded and will concentrate on coordinating the minority business efforts of the Federal Government.

Expenditures for program development and direction will grow 45% from \$9 million in 1973 to an estimated \$13 million in 1975. Minority business development management and technical assistance resources are expected to expand 114%—from spending of \$30.2 million in 1973 to \$64.7 million in 1975. Overall expenditures to support OMBE efforts will total \$77.6 million in the coming year, which includes OMBE operation of the Community Development Corporation program formerly funded by the Office of Economic Opportunity, and should result in the following:

- 1,200 new minority firms being established;
- 4,300 existing minority firms being expanded;
- 5,000 minority business financing packages being obtained; and
- 25,000 clients receiving management assistance.

Expenditures for minority business development occur throughout the Federal Government and include:

- Outlays of \$4.3 million in 1975 by the Small Business Administration to administer section 8(a) of the Small Business Act. This unique procurement tool permits SBA to obtain procurement contracts from other Federal agencies and to award subcontracts to the minority or disadvantaged to help them become owners of self-sustaining manufacturing, construction, and other related service enterprises. SBA expects to expand the contracts negotiated from 1,992 worth \$208 million in 1973 to 2,500 worth \$250 million in 1975. Companies assisted will rise from 1,084 to 1,500.³
- SBA will have more than \$651 million in loans and guarantees obligated in 1975 for minority business development and expects to award \$5.0 million worth of contracts and grants for management and technical assistance.

³ All Federal procurement from minorities under sec. 8(a) is reported under the lead agency, SBA.

- Sixty-four minority enterprise small business investment corporations (MESBIC's) are currently in operation with a total private capitalization of \$25 million. With the provision of Federal matching funds, this produces total capital of more than \$50 million. MESBIC's provide venture capital to expand the range of financing opportunities available to minority enterprises. This Administration amended the Small Business Investment Act of 1958 to provide MESBIC's with a new source of equity capital by authorizing the Small Business Administration to purchase their preferred stock.

Total funding for minority business enterprise programs will increase to an estimated \$1.2 billion in 1975. Outlays for program management are expected to grow to \$19.7 million. Obligations for loans and loan guarantees will amount to \$525 million and \$149 million, respectively. Special efforts to procure goods and services from minorities will total more than \$475 million. In the aggregate, efforts to assist minority business development will expand 265% between 1970 and 1975.

Deposits in minority-owned banks.—Between September 30, 1970, when the Administration began a combined Government/private sector program to increase deposit balances in minority-owned banks by \$100 million, and June 30, 1973, deposits in the Nation's 50 minority-owned banks increased by \$537.7 million, an expansion of 110%. The primary value of these programs, under the direction of the Treasury Department and the Commerce Department respectively, has been to increase the earnings of the minority banks and thereby enhance their ability to attract capital.

Table L-3. FEDERAL CIVIL RIGHTS OUTLAYS BY DEPARTMENT AND AGENCY (in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Civil rights enforcement: ¹			
Department of Agriculture.....	9.43	10.18	10.82
Department of Commerce.....	.91	.92	.83
Department of Defense.....	44.24	62.10	66.13
Department of Health, Education, and Welfare.....	62.34	212.45	260.18
Department of Housing and Urban Development.....	8.40	9.45	11.62
Department of the Interior.....	1.61	2.66	2.80
Department of Justice.....	37.42	36.56	39.97
Department of Labor.....	7.37	8.28	9.87
Department of State.....	*	*	*
Department of Transportation.....	2.76	3.06	3.64
Treasury Department.....	.79	.82	1.16
Atomic Energy Commission.....	1.49	1.85	1.67
Civil Service Commission ²	96.39	118.00	125.50
Commission on Civil Rights.....	4.62	5.91	6.74
Environmental Protection Agency.....	.56	.85	1.02
Equal Employment Opportunity Commission.....	28.31	41.10	52.76
Federal Communications Commission.....	.21	.28	.34
General Services Administration.....	3.15	4.11	4.67
National Aeronautics and Space Administration.....	.52	.53	.59
Postal Service ³.....	.....	.....	.....
Small Business Administration.....	.55	.68	.80
Veterans Administration.....	.80	.84	.85
Other independent agencies.....	1.21	1.75	1.88
Subtotal.....	313.08	522.38	603.84
Minority assistance program: ⁴			
Department of Agriculture.....	10.55	20.11	18.90
Department of Commerce.....	49.23	60.83	88.64
Department of Health, Education, and Welfare.....	73.82	96.96	120.95
Department of Housing and Urban Development.....	67.99	68.82	37.42
Department of the Interior ⁵	1,349.98	1,645.98	1,669.98
Department of Labor.....	15.45	16.07	16.63
Small Business Administration ⁶	681.28	895.91	913.04
Other independent agencies.....	44.46	54.88	61.12
Subtotal.....	2,292.76	2,859.56	2,926.68
Total.....	2,605.84	3,381.94	3,530.52

¹ Civil rights enforcement programs guarantee and protect the basic civil rights as defined by law.

² All Federal service equal employment opportunity outlays, including upward mobility, are reported under the lead agency, Civil Service Commission.

³ Postal Service outlays appear in the Annexed Budget.

⁴ Minority assistance programs broaden opportunities for economic participation and self-determination and include Indian programs. Loans, surety bonds, guarantees and 8(a) contracts are included at their obligated values.

⁵ All Federal outlays for Indians are reported under the Department of the Interior.

⁶ All Federal procurement from minorities through sec. 8(a) of the Small Business Act is reported under the lead agency, Small Business Administration.

*Less than \$10 thousand.

CONCLUSION

The civil rights programs of the Federal Government are many faceted. They range from the legal assurances of nondiscrimination to the provision of employment and business opportunities. The steady expansion in the resources dedicated to these efforts is evidence of the intent to continue progress toward making equal opportunity a reality for all Americans.

SPECIAL ANALYSIS M

FEDERAL PROGRAMS FOR THE REDUCTION OF CRIME

Reduction of crime is a high priority within the Federal Government. Nineteen Federal agencies and commissions participate in providing an effective national response to the crime problem. Federal programs are not only concerned with enforcing statutes and administering criminal justice but are also designed to increase understanding of the causes of criminal behavior, prevent the commission of criminal acts, rehabilitate offenders, and reform Federal criminal laws. The goal is to reduce the rate of criminal violations, thereby limiting the substantial economic and social costs of crime.

The Federal crime reduction program complements activities of State and local governments, which bear the heaviest burdens and widest responsibilities for law enforcement and administration of justice. Federal assistance in the form of grants-in-aid, training, and technical assistance contributes to the effectiveness of State and local crime reduction programs.

ACCOMPLISHMENTS OF THE PAST YEAR

There were numerous accomplishments in the area of crime reduction during the past year. Among the most significant developments were:

- Reduction of 2% in the Nation's crime during calendar year 1972, the first actual reduction in the volume of crime since 1955.
- Creation of a consolidated Drug Enforcement Administration within the Department of Justice to permit more effective enforcement of Federal narcotic laws and better coordination with State and foreign governments in the overall effort to stem the flow of illicit drugs.
- Increase in worldwide seizures of opiates (in heroin equivalent pounds) from 5,500 in 1972 to 9,800 in 1973, and an increase in drug arrests from 15,500 to 24,900.
- Enactment of the Crime Control Act of 1973, extending the Law Enforcement Assistance grant program through 1976 and streamlining its administration to ensure a smoother flow of grants to State and local governments.
- Convocation of the National Conference on Criminal Justice to review the standards and goals formulated by the National Advisory Commission on Criminal Justice and to develop a commitment and strategy for implementing standards and goals in each State.

1975 BUDGET HIGHLIGHTS

Federal outlays for the reduction of crime will total \$3.0 billion in 1975, as compared with \$2.8 billion in 1974 and \$2.3 billion in 1973.

It is estimated that expenditures for this purpose by all levels of government—Federal, State, and local—will exceed \$19 billion in 1975. Of the \$3.0 billion in Federal expenditures alone, \$1.2 billion or 41% will be used to assist State and local governments to improve their criminal justice systems. Outlays directed to other levels of government in 1975 are 25% greater than the comparable figure in 1973. Once again in 1975, the Department of Justice will conduct the most extensive Federal crime reduction program with expenditure of \$1.9 billion. The Department of the Treasury has the second largest Federal program which is budgeted for \$326 million in 1975.

Table M-1. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY AGENCY¹ (in thousands of dollars)

Agency	Outlays		
	1973 actual	1974 estimate	1975 estimate
The Judiciary.....	73,745	83,698	92,267
Executive Office of the President.....	11,605	70,979	38,368
Department of Agriculture.....	6,440	7,105	8,018
Department of Commerce.....	1,280	1,878	2,378
Department of Defense—Civil.....	5,182	5,755	5,815
Department of Health, Education, and Welfare.....	132,118	196,997	219,986
Department of Housing and Urban Development.....	34,800	34,800	13,000
Department of the Interior.....	38,299	42,964	40,780
Department of Justice.....	1,350,981	1,741,813	1,891,515
Department of Labor.....	143,284	89,600	92,400
Department of State.....	20,583	34,416	37,399
Department of Transportation.....	48,743	32,585	30,134
Department of the Treasury.....	252,700	291,344	326,376
General Services Administration.....	93,412	97,916	69,791
Veterans Administration.....	80,053	92,346	82,251
Other independent agencies.....	469	991	2,026
Total Federal outlays.....	2,293,694	2,825,187	2,952,504

¹ Does not include Department of Defense—Military, and \$38.2 million of outlays for the U.S. Postal Service which are included in the Annexed Budget for 1975.

Application of resources to the reduction of illicit drug traffic, a major contributor to crime in America, will be expanded throughout the full range of Federal criminal justice activities. The new Drug Enforcement Administration consolidates Federal drug enforcement activities previously scattered in five separate agencies. The Drug Enforcement Administration has responsibility for planning a comprehensive Federal enforcement strategy and developing a coordinated program consistent with that strategy. Outlays and narrative descriptions concerning the Federal drug enforcement program are found throughout this special analysis, while a summary of expenditures related to enforcing drug laws is contained in table M-2.

Table M-2. **FEDERAL OUTLAYS FOR DRUG ENFORCEMENT**¹
(in millions of dollars)

Agency	Outlays		
	1973 actual	1974 estimate	1975 estimate
Department of Agriculture.....	1.3	1.5	1.5
Department of Defense—Civil.....	.2	.2	.2
Department of Justice:			
Drug Enforcement Administration.....	77.3	109.4	135.9
Law Enforcement Assistance Administration.....	28.5	31.7	50.2
Other activities.....	2.9	4.8	5.2
Department of State.....	20.6	34.4	37.4
Department of Transportation.....	.4	.5	.4
Department of the Treasury:			
Customs Service.....	46.4	41.9	41.9
Internal Revenue Service.....	16.9	20.3	20.7
Total Federal outlays.....	194.5	244.7	293.4

¹ Does not include Department of Defense—Military and U.S. Postal Service.

CRIME REDUCTION PROGRAMS BY ACTIVITIES

Budget outlays included in this special analysis represent all Federal programs related to crime reduction except expenditures of the Department of Defense.¹ The analysis covers estimated costs of the judiciary related to criminal adjudication. Even though such programs may indirectly reduce crime, the analysis excludes general social programs, unless they are clearly within the context of crime reduction or prevention, such as vocational training of prisoners or treatment and rehabilitation of narcotic addicts. This analysis does not include background investigations for employment, administrative inspections, or investigations of a regulatory nature which might in rare cases result in the application of criminal sanctions. Where activities involve both criminal and civil proceedings, such as operation of Federal courts, an allocation of outlays to the crime-related function has been estimated. The narrative is not intended to be all-inclusive, but rather highlights new initiatives contained in the 1975 budget and portrays the wide range of activities and agencies involved in the Federal crime reduction program.

Crime research and statistics.—Crime research and statistics encompass Federal activities designed to produce numerical data and other information concerning crime, criminals, and the criminal justice system, and to develop new techniques and methods for operation of that system.

- Total Federal outlays for crime research and statistics are estimated to be \$113 million in 1975. Of this amount \$36.6 million

¹ Defense Department outlays for crime reduction are not included in this analysis. However, a summary of Defense Department outlays for law enforcements are estimated as follows (in thousands of dollars):

	1973	1974	1975
Department of the Army.....	304,002	308,962	310,444
Department of the Navy.....	31,366	32,922	31,719
Department of the Air Force.....	407,957	399,032	400,355
Total, Department of Defense.....	743,325	740,916	742,518

will be spent for collection of quantitative data, and \$76.7 million for research. This compares with \$104 million for research and statistics in 1974.

- During 1975 the Drug Enforcement Administration's catalog of information and statistics on controlled substances will reach maturity, providing a comprehensive data base for identifying and investigating large quantities of abusable substances which may be entering illicit markets.
- The Coast Guard will continue research to improve its capability for detecting pollution law violations by developing advanced all-weather means of detecting, identifying, and quantifying discharges of oil and hazardous polluting substances.
- The U.S. Postal Service will continue development of improved postal security and detection devices such as a letter tracing system, anti-tampering devices for mail sacks, and portable containers for suspect letter bombs.
- Expenditures by the Law Enforcement Assistance Administration to develop and evaluate new enforcement technology will total \$29 million in 1975, while criminal statistical collection will account for \$33 million.

Reform of criminal laws.—Criminal law reform consists of efforts to improve the effectiveness of criminal statutes and assure that they accurately reflect the values and standards of our society.

- \$5.5 million will be spent on criminal law reform in 1975, a 32% increase over the comparable amount in 1974. Approximately 62% of the 1975 expenditures will support law reform efforts in State and local governments.
- In 1975 the National Commission for the Review of Federal and State Laws Relating to Wiretapping and Electronic Surveillance will be conducting its first full year of study into the impact of the Omnibus Crime Control Act of 1968 on the use of wiretaps for law enforcement purposes.
- A special unit within the Criminal Division of the Justice Department has been created to establish procedures and coordinate use of the immunity provisions of the Organized Crime Control Act of 1970, as well as monitor requests for immunity.
- The Drug Enforcement Administration will continue drafting and revising regulations and procedures, as well as gathering information for administrative hearings on provisions of the Comprehensive Drug Abuse Prevention and Control Act which will be applicable to individuals and industry alike.
- During 1975 the Commission to Review National Policy Toward Gambling will hold public hearings and conduct studies and surveys to determine the nature, extent, and public attitude toward gambling in order to formulate recommendations on a national policy.

Prevention of crime.—Crime prevention includes efforts to limit the probability that criminal acts will be committed through means other than direct enforcement or general correctional activities. This category therefore encompasses public education, drug addict rehabilita-

Table M-3. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND SELECTED ACTIVITY ¹ (in thousands of dollars)

Major program and selected activity	Outlays		
	1973 actual	1974 estimate	1975 estimate
Crime research and statistics:			
Statistics on crime, criminals, and criminal justice system.....	28,374	33,902	36,595
Research on criminal behavior and sociology of crime.....	45,675	70,331	76,703
Program total.....	74,049	104,233	113,298
Reform of criminal laws.....	2,738	4,215	5,545
Services for prevention of crime:			
Public education on law observance, enforcement, and crime prevention.....	23,603	34,092	36,507
Special programs for the rehabilitation of narcotic addicts..	117,850	245,368	236,959
Prevention and control of juvenile delinquency.....	66,667	82,724	95,424
Development of other community crime prevention services..	173,006	131,920	119,100
Program total.....	381,126	494,104	487,990
Criminal law enforcement:			
Investigations into violations of Federal criminal law.....	702,239	766,104	832,175
Federal police.....	102,175	107,009	116,978
Assistance to State and local governments for enforcement..	145,249	208,260	219,878
Program total.....	949,663	1,081,373	1,169,031
Law enforcement support:			
Criminal intelligence and information systems.....	29,151	42,221	44,997
Education and training of enforcement officers.....	151,385	164,985	160,207
Laboratories and criminalistics.....	28,115	37,204	41,636
International programs in support of domestic law enforcement.....	28,077	42,191	46,958
Program total.....	236,728	286,601	293,798
Administration of criminal justice:			
Conduct of Federal criminal prosecutions.....	68,147	80,077	91,607
Operation and support of Federal court systems.....	83,677	96,336	103,904
Assistance to States and localities for improved administration of justice.....	45,078	58,132	60,662
Program total.....	196,902	234,545	256,173
Rehabilitation of offenders:			
Operation of Federal correctional institutions.....	132,478	199,921	179,972
Federal probation, parole, and community treatment.....	15,550	18,912	22,230
Federal inmate education and training.....	9,467	11,230	12,872
Federal inmate medical treatment.....	9,190	11,382	12,934
Other programs supporting Federal corrections.....	1,967	2,065	2,473
Assistance to States and localities for improved correctional programs.....	229,110	307,778	327,170
Program total.....	397,762	551,288	557,651
Planning and coordination of crime reduction programs.....	54,726	68,828	69,018
Total Federal outlays.....	2,293,694	2,825,187	2,952,504

¹ Does not include Department of Defense—Military and U.S. Postal Service.

tion, juvenile delinquent programs, and projects to improve police-community relations.

- An estimated \$488 million will be concentrated on crime prevention programs in 1975, representing a 28% increase above 1973.
- The bulk of the Federal drug treatment, rehabilitation, research, and prevention programs will be located in the new National Institute on Drug Abuse within the Alcohol, Drug Abuse, and Mental Health Administration in HEW.
- New outreach programs linked with the criminal justice system will be encouraged by the Special Action Office for Drug Abuse Prevention in 1975 to bring into treatment hard-core addicts who have not sought treatment or have dropped out of a program.
- The Urban Mass Transportation Administration expects to make \$2 million in grants to State and local governments in 1975 for procurement of public transit equipment containing crime prevention devices.
- In 1975 HEW will fund sufficient drug treatment capacity to care for every addict seeking help.
- During 1974 and 1975, the Law Enforcement Assistance Administration will encourage States and localities to adopt the crime prevention standards developed by the National Conference on Criminal Justice.

Criminal law enforcement.—Criminal law enforcement consists of activities to detect, identify, and apprehend violators of criminal laws. Federal support of State and local enforcement is included in this category, as is investigation by Federal agents into the wide variety of Federal offenses. Representative programs include policing of Federal reservations, special activities against organized crime and illicit drug trafficking, and grants to upgrade the effectiveness of State and local law enforcement.

- Criminal law enforcement will account for \$1.2 billion in outlays during 1975, including \$220 million in support of State and local enforcement programs.
- Additional personnel are being added to the FBI to assist in automating its criminal fingerprint file and to purge and reorder its extensive civil fingerprint file.
- The Internal Revenue Service will add 324 personnel to its tax fraud investigative force in 1975 in order to intensify its effort against tax evasion.
- The Department of Transportation and the Criminal Division in the Department of Justice will be joining forces to foster improvements in State car title and registration systems in order to frustrate false documentation by auto theft rings.
- The Department of Labor will continue to assist Federal strike forces against organized crime by furnishing compliance officers to identify, investigate, and assist in the prosecution of labor racketeers who manipulate welfare and pension funds.
- In 1975 the Executive Protective Service will provide expanded protection for foreign diplomatic missions against potential terrorist and other criminal activity.
- Nearly 300 border patrol agents will be added to the Immigration and Naturalization Service in 1974 and 1975 to strengthen an

enforcement program which apprehended 466,755 unlawful aliens and seized 107 tons of marihuana during 1973, both record highs.

- The Securities and Exchange Commission will continue to give top priority to cases involving organized crime, particularly those instances concerning criminal infiltration into the securities industry.
- During the next year the Bureau of Alcohol, Tobacco, and Firearms expects to more than double its identification of firearms used in criminal acts, which will assist Federal, State, and local law enforcement.
- A drug diversion investigation program, conducted by the Drug Enforcement Administration and funded by the Law Enforcement Assistance Administration, will encourage States to curb the illicit diversion of drugs at the retail level in 1975.
- A new Surface Law Enforcement Patrol will be operated in Florida during 1974 and 1975 by the Coast Guard to implement the United States-Cuba antihijacking agreement and to act as a deterrent to narcotics smuggling and introduction of illegal aliens into this country.
- During 1974 and 1975 the Federal Aviation Administration will continue to direct the intergovernmental effort targeted against hijacking, which prevented any successful attempts in 1973.

Law enforcement support.—Law enforcement support entails activities contributing to the effectiveness of criminal law enforcement. Included are operation of criminal intelligence systems, education and training of enforcement officers, activities of forensic laboratories, and international programs supporting domestic enforcement efforts, primarily in the area of narcotics control.

- Outlays of \$294 million are projected for law enforcement support in 1975. Of this amount, \$207 million will assist State and local enforcement by funding laboratories, training programs, and criminal intelligence networks.
- Construction contracts of \$19 million are planned in 1975 for the new Federal Law Enforcement Training Center, which will provide basic and specialized training to Federal personnel in a variety of law enforcement subjects.
- The Drug Enforcement Administration will support State and local drug enforcement activities in 1975 by conducting 60 schools for 4,300 law enforcement officers, training 100 chemists in 5 forensic workshops, and analyzing an estimated 22,350 drug exhibits for non-Federal police agencies.
- The Veterans Administration will provide financial assistance for 15,500 policemen to pursue on-the-job training and related academic instruction during 1975.
- In 1975 the Treasury Enforcement Communications System operated by the U.S. Customs Service will be expanded to make a comprehensive smuggling intelligence file available to enforcement officers at all major international airports and some seaports in the United States.
- During 1975 the State Department will use Foreign Assistance Act funds to continue to support foreign governments in their efforts to disrupt the flow of illicit narcotics to the United States

through training in drug enforcement and intelligence, equipment procurement, advisory assistance, and crop substitution projects.

Administration of criminal justice.—This category includes the preparation and prosecution of criminal cases, operation of court systems, trial of cases, provision of adequate defense, and related supporting activities.

- Over \$256 million will be devoted to prosecution of criminal cases and administration of criminal justice in 1975, including \$61 million for assisting State and local prosecution and court systems. Operation of the Federal judiciary will require expenditure of \$104 million in 1975; criminal prosecutions will account for \$92 million.
- The addition of 241 people to U.S. Attorneys' offices in 1975 will be applied to reduce the large number of criminal cases declined for prosecution each year due to lack of litigative resources.
- The fees and expenses of witnesses appearing on behalf of the Federal Government to provide factual information or expert testimony will require expenditure of \$12 million in 1975.
- The Antitrust Division of the Department of Justice will use a 13% personnel increase in 1975 to expand its economic analysis of anti-competitive practices in order to improve enforcement of antitrust and consumer protection cases, particularly in those matters related to energy.
- The Federal court system will improve its ability to handle criminal cases through a 12% increase in support personnel in 1975.
- In coordination with the Criminal Division and the Internal Revenue Service, the Tax Division of the Justice Department will increase its prosecutive efforts against organized crime racketeers during 1975.
- Working with U.S. district courts and magistrates, the National Park Service will initiate a new procedure in 1975 to permit violators of petty Federal offenses to forfeit collateral rather than unnecessarily clog court dockets.
- During 1975 the Drug Enforcement Administration will continue to assist State officials prosecute cases under State uniform controlled substances acts and conduct revocation proceedings before State licensing boards.
- The U.S. Marshal Service will establish coordinators in each Federal appellate district during 1975 to supervise and upgrade the service of Federal warrants by deputy marshals.

Rehabilitation of offenders.—These programs encompass Government custody and rehabilitation of criminal offenders, including supervision and operation of correctional institutions, inmate and offender treatment and training programs, probation and parole services, and other supportive functions.

- Expenditure of \$558 million will support rehabilitation of offenders in 1975, as compared with \$551 million in 1974 and \$398 million in 1973. Of the 1975 total, \$327 million will be allocated to non-Federal correctional activities.

- During 1975, \$222 million will be spent on correctional programs of the Bureau of Prisons, with emphasis on developing a balanced system of community and institutional facilities for the reintegration of offenders into society.
- The U.S. Board of Parole will regionalize its operations and implement new decisionmaking criteria to ensure greater equity, consistency, and speed in the parole process in 1974 and 1975.
- The Probation Service of the Federal judiciary will add 340 officers in 1974 and 320 officers in 1975 to improve probation and parole supervision.
- HEW will make grants of \$4.2 million in 1975 to enable an estimated 67,800 inmates in penal institutions to enroll in adult education classes aimed at providing at least a high school education.

Planning and coordination.—Included in this category are outlays supporting State and local criminal justice planning, as well as coordination of Federal enforcement activities internally and with international enforcement efforts.

- Approximately \$69 million will be spent on planning and coordination of crime reduction programs in 1975, consisting primarily of \$62 million in expenditures by the Law Enforcement Assistance Administration to encourage State and local governments to plan and evaluate their criminal justice activities.
- The Special Action Office for Drug Abuse Prevention will continue to plan and coordinate all Federal drug abuse prevention and treatment activities during 1975.
- In 1975 the Department of State will continue to work with foreign governments and international organizations to implement drug control policies and coordinate interagency participation in the international narcotics control effort.
- New cabinet subcommittees on domestic enforcement and treatment will coordinate Federal interdepartmental drug abuse activities during 1975.

Table M-4. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY ¹ (in thousands of dollars)

Major program and agency	Outlays		
	1973 actual	1974 estimate	1975 estimate
Crime research and statistics:			
The Judiciary.....	629	891	1,168
Executive Office of the President.....	648	319	-----
Department of Agriculture.....	1,285	1,527	1,549
Department of Defense—Civil.....	14	16	17
Department of Health, Education, and Welfare.....	3,411	3,776	3,754
Department of Justice.....	65,049	92,686	102,574
Department of Transportation.....	2,061	4,178	3,396
Department of the Treasury.....	840	840	840
Other independent agencies.....	112	-----	-----
Program total.....	<u>74,049</u>	<u>104,233</u>	<u>113,298</u>

Table M-4. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY ¹ (in thousands of dollars)—Continued

Major program and agency	Outlays		
	1973 actual	1974 estimate	1975 estimate
Reform of criminal laws:			
Department of Justice.....	2,738	3,645	3,985
Other independent agencies.....	-----	570	1,560
Program total.....	<u>2,738</u>	<u>4,215</u>	<u>5,545</u>
Services for prevention of crime:			
Executive Office of the President.....	10,957	66,445	33,368
Department of Defense—Civil.....	138	150	152
Department of Health, Education, and Welfare.....	75,045	137,451	160,462
Department of Housing and Urban Development.....	29,500	29,500	11,000
Department of the Interior.....	876	1,074	989
Department of Justice.....	108,253	149,039	169,419
Department of Labor.....	128,500	81,200	84,000
Department of Transportation.....	148	100	2,000
Veterans Administration.....	27,709	29,145	26,600
Program total.....	<u>381,126</u>	<u>494,104</u>	<u>487,990</u>
Criminal law enforcement:			
Department of Agriculture.....	5,155	5,578	6,469
Department of Commerce.....	1,280	1,878	2,378
Department of Defense—Civil.....	3,961	4,404	4,433
Department of the Interior.....	35,573	39,805	37,363
Department of Justice.....	512,145	618,997	697,756
Department of Labor.....	3,600	3,400	3,400
Department of Transportation.....	46,452	28,219	24,642
Department of the Treasury.....	248,598	283,252	322,333
General Services Administration.....	92,542	95,419	69,791
Other independent agencies.....	357	421	466
Program total.....	<u>949,663</u>	<u>1,081,373</u>	<u>1,169,031</u>
Law enforcement support:			
Department of Defense—Civil.....	133	147	155
Department of Health, Education, and Welfare.....	5,825	7,500	7,500
Department of the Interior.....	314	399	435
Department of Justice.....	154,221	172,138	190,494
Department of State.....	19,679	33,381	36,266
Department of Transportation.....	80	86	94
Department of the Treasury.....	3,262	7,252	3,203
General Services Administration.....	870	2,497	-----
Veterans Administration.....	52,344	63,201	55,651
Program total.....	<u>236,728</u>	<u>286,601</u>	<u>293,798</u>
Administration of criminal justice:			
The Judiciary.....	63,583	71,503	78,097
Department of Defense—Civil.....	80	90	96
Department of the Interior.....	1,145	1,286	1,564
Department of Justice.....	132,092	161,664	176,414
Department of Transportation.....	2	2	2
Program total.....	<u>196,902</u>	<u>234,545</u>	<u>256,173</u>

Table M-4. FEDERAL OUTLAYS FOR THE REDUCTION OF CRIME BY MAJOR PROGRAM AND AGENCY ¹ (in thousands of dollars)—Continued

Major program and agency	Outlays		
	1973 actual	1974 estimate	1975 estimate
Rehabilitation of offenders:			
The Judiciary.....	9,533	11,304	13,002
Department of Defense—Civil.....	856	948	962
Department of Health, Education, and Welfare.....	47,837	48,270	48,270
Department of Housing and Urban Development.....	5,300	5,300	2,000
Department of the Interior.....	391	400	429
Department of Justice.....	322,661	480,066	487,988
Department of Labor.....	11,184	5,000	5,000
Program total.....	397,762	551,288	557,651
Planning and coordination of crime reduction programs:			
Executive Office of the President.....		4,215	5,000
Department of Justice.....	53,822	63,578	62,885
Department of State.....	904	1,035	1,133
Program total.....	54,726	68,828	69,018
Total Federal outlays.....	2,293,694	2,825,187	2,952,504

¹ Does not include Department of Defense—Military and U.S. Postal Service.

Table M-5. SELECTED CRIME REDUCTION DATA (dollars in thousands)

	1971	1972	1973
Federal outlays for crime reduction:			
Federal crime reduction outlays assisting States and localities.....	\$414,773	\$674,785	\$966,863
Federal crime reduction outlays for reduction of Federal crimes.....	\$937,982	\$1,131,608	\$1,326,831
Total Federal outlays for reduction of crime.....	\$1,352,755	\$1,806,393	\$2,293,694
Federal personnel:			
Full-time Federal criminal investigators ¹	15,489	17,507	19,117
U.S. attorneys and assistant attorneys (man-years on criminal workload).....	712	763	722
Attorneys—criminal division (man-years).....	239	271	² 366
U.S. district court judgeships.....	402	498	498
State and local crimes:³			
Serious crimes recorded (UCR—table 2).....	5,955,200	5,891,900	(⁴)
Violent crimes recorded (UCR—table 2).....	810,020	828,150	(⁴)
Rate of serious crimes per 100,000 inhabitants (UCR—table 2).....	2,907	2,830	(⁴)
Rate of violent crimes per 100,000 inhabitants (UCR—table 2).....	393	398	(⁴)
Percent index crimes cleared by arrest (UCR—table 13 in 1971, table 15 in 1972).....	20.9	22.0	(⁴)
Percent found guilty of persons charged by police (UCR—table 15 in 1971, table 18 in 1972).....	64.7	65.2	(⁴)
Federal investigations:			
FBI, investigative matters received.....	828,059	824,252	774,579
Immigration and Naturalization Service (investigations completed).....	28,542	30,245	30,940
Postal Service, criminal caseload.....	510,220	462,671	339,350
IRS, cases closed.....	7,381	8,518	8,500
U.S. Customs Service, cases closed.....	38,062	40,076	40,276
Secret Service, cases closed.....	132,750	⁵ 158,871	124,389
Bureau of Alcohol, Tobacco, and Firearms, cases closed.....	6,339	6,964	5,403
Disposition of Federal criminal matters:			
Investigative matters presented for prosecutive decision—prosecution declined.....	94,032	119,064	93,926
Federal criminal cases commenced ⁶	41,290	47,043	40,367
Federal criminal cases terminated ⁶	37,715	46,090	41,389
Federal criminal cases pending ⁶	24,485	25,438	24,416
Federal criminal cases pending over 6 months ⁷	6,602	5,462	5,114
Federal criminal defendants convicted.....	33,604	39,587	37,261
High echelon organized crime figures convicted.....	61	60	69
Corrections:			
Average Federal jail population.....	4,733	5,160	5,870
Average Federal prison population.....	20,949	21,329	22,294
Court commitments to Federal institutions.....	12,613	13,677	15,677
Average Federal prison sentences (months).....	47.8	47.9	51.0
Persons under supervision of Federal probation system (end of year).....	42,549	49,023	54,346
Federal paroles granted.....	5,851	6,174	6,339
Warrants issued for violation of conditions of release from prison.....	2,044	1,906	1,635
Executive clemency petitions granted.....	173	255	207

¹ CSC jobs classified in series 1811 as of October 31.² Includes internal security functions transferred into the Criminal Division.³ From FBI uniform crime report.⁴ Not available.⁵ Reflects closing out case backlog where no further investigation was warranted.⁶ Excludes transfers.⁷ Excludes pending cases of fugitives.

PART 3

SPECIALIZED ASPECTS AND
VIEWS OF FEDERAL PROGRAMS

INTRODUCTION

Part 3 discusses trends and developments in selected areas of Government activity—aid to State and local governments, research and development, and environmental quality. It groups three special analyses, those designated N through P.

Special Analysis N summarizes Federal grants to State and local governments as well as loans and indirect assistance. It traces the development of Federal aids over time and relates them to the finances of both the Federal Government and State and local governments. This analysis also provides a profile of Federal grants by region, and that portion benefiting metropolitan areas.

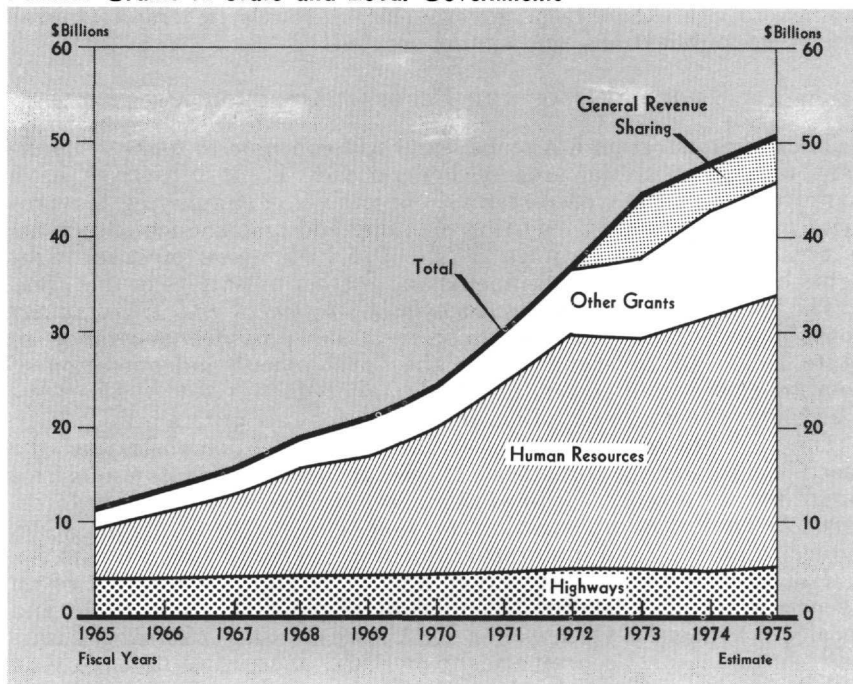
Special Analysis O identifies Federal programs for the conduct of research and development, and for facilities related to such activities.

Special Analysis P identifies Federal funding for selected environmental activities, including pollution control and abatement, environmental protection and enhancement, sewer and water programs, and understanding, describing, and predicting the environment.

SPECIAL ANALYSIS N

FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

Federal Grants to State and Local Governments



In 1975, Federal aid to State and local governments is expected to total \$52.0 billion, including \$256 million in net loan outlays. This represents an increase of \$3.3 billion over 1974, and an average annual increase of 17% for the last 5 years.

The 1974 and 1975 totals tend to understate the amount of Federal aid compared to previous years. Supplemental Security Income, the public assistance program for the aged, blind, and disabled, changed on January 1, 1974, from a Federal grant program to a program administered by the Social Security Administration. This shift, which results in direct Federal benefit payments to individuals, reduces the amount of Federal assistance provided in the form of grants by \$900 million in 1974 and \$1.6 billion in 1975 without decreasing (and often increasing) benefits. The shift also results in significant savings for many States, since the State matching share, new benefit liberalizations, and former State administrative costs will now be borne by the Federal Government.

The grant totals also do not include many other Federal activities that affect the finances of State and local governments. For example, State and local borrowing costs are significantly reduced by the exemption of interest on their securities from Federal income taxes and by interest subsidies in lieu of tax exemption. Similarly, since taxpayers may deduct State and local taxes from Federal taxable income, a portion of State and local taxes is offset by a reduction in taxpayers' Federal liability. In addition, there are many indirect savings to State and local governments through Federal technical assistance, publications, and similar services.

HIGHLIGHTS OF THE FEDERAL AID PROGRAM

The Administration has made—and will continue to make—significant initiatives in the area of Federal aid. These initiatives have centered around the New Federalism objectives of simplifying Government operations and transferring planning and management functions to State and local governments. The 1975 Federal-aid program highlights both recent accomplishments and further initiatives in this area.

The recently enacted *Comprehensive Employment and Training Act* consolidates major existing programs, and provides assistance to State and local governments for the development and operation of comprehensive manpower programs tailored to meet local needs. The budget provides \$2 billion in outlays for this program in 1975.

Law Enforcement Assistance grants are now demonstrating the feasibility of flexible, broad-based formula grants. Grants under this program will increase 6% to \$747 million in 1975, as the Law Enforcement Assistance Administration continues efforts to delegate planning, project approval, and monitoring functions to State governments.

The Environmental Protection Agency is another example of an agency which has delegated significant responsibilities to State and local governments. Outlays for EPA's *waste water treatment* grants will continue to rise dramatically in 1975, increasing 68% to \$3.4 billion. Outlays will rise further in 1976.

The budget continues the phaseout of seven inflexible and restrictive categorical programs for community development, thereby creating room for more effective programs to assist local governments. Broad-based support for locally designed community development programs would begin under the Administration's proposed *Better Communities Act*. Originally submitted to the Congress 3 years ago, the proposed program will be funded at \$2.3 billion in 1975.

A new *Unified Transportation Assistance Program* would allow States and localities to allocate funds among urbanized area highway projects, low capital-intensive highway improvements, mass transit capital investments, and transit operating assistance on the basis of their own priorities. This program is the first which would allow Federal funds to be used for transit operating assistance.

The consolidation of elementary and secondary, vocational, and adult education programs is also anticipated. These *Consolidated Education Grants* would provide State and local governments with greater freedom to adapt Federal programs to local needs.

The proposed *Responsive Governments Act* will improve and expand current efforts to help State and local governments strengthen their

decisionmaking and managerial capabilities. Grants for this activity would increase in 1975 to \$110 million.

Food Stamp outlays in 1975 are expected to total \$3.9 billion. This represents an average annual increase of 34% since 1973, and results from expanded eligibility and the liberalization of benefits.

The Administration is also proposing *National Health Insurance* legislation to Congress. The proposed program relies on private insurance offered by employers and a Federal-State partnership to assure that all Americans can obtain comprehensive health insurance at affordable rates. The Federal-State partnership will involve substantial future grants-in-aid to State governments.

Table N-1. **FEDERAL-AID EXPENDITURES BY AGENCY** (in millions of dollars)

Agency	1973 actual	1974 estimate	1975 estimate
Funds appropriated to the President.....	1,103.1	1,080.5	718.4
Department of Agriculture.....	4,332.5	5,542.7	6,324.5
Department of Commerce.....	261.1	262.6	311.8
Department of Defense—Military.....	53.4	42.3	42.7
Department of Defense—Civil.....	3.0	3.0	3.0
Department of Health, Education, and Welfare.....	18,219.6	20,083.7	20,587.3
Department of Housing and Urban Development.....	2,970.5	3,289.2	3,684.0
Department of the Interior.....	408.2	484.9	573.2
Department of Justice.....	526.3	707.7	747.2
Department of Labor.....	2,878.1	2,585.4	2,580.6
Department of State.....	6.3	8.3	8.5
Department of Transportation.....	5,272.4	5,239.8	5,656.5
Department of the Treasury.....	6,822.6	6,351.7	6,384.0
Environmental Protection Agency.....	745.1	2,085.1	3,470.9
District of Columbia.....	181.5	190.0	231.5
Washington Metropolitan Area Transit Authority.....	75.8	182.9	184.4
Other.....	102.9	152.9	222.9
Total expenditures for Federal grants.....	43,962.5	48,293.0	51,731.5

In total, Federal aid will finance about 22% of State and local expenditures in 1975. As can be seen in table N-1, about 40% of this aid is administered by the Department of Health, Education, and Welfare.

HISTORICAL PERSPECTIVES

The first national grant-in-aid took place in 1785, when Congress provided grants of land to support education in the Northwest Territory. Land remained the principal form of Federal aid for many years thereafter.

The first revenue sharing took place in 1837, when the Federal Government distributed \$28 million of surplus revenues among the States on the basis of congressional representation. Interestingly, the money was only "deposited" with the States, since the constitutionality of direct money grants to the States was questioned. No repayment was ever demanded, however, and no restrictions were placed on the use of the money. The program lasted only 1 year, and ended when the depression of 1838 eliminated the Federal surplus.

The basic structure of today's categorical grants originated with the Morrill Act of 1802, which established minimum standards for States

to qualify for grants of land to support higher education. These requirements included a definition of objectives, State matching, and a report on the use of lands.

Grants-in-aid thus have a long history, actually predating the Constitution. They did not become a truly significant factor in governmental expenditure, however, until the last two decades. As recently as 1950, Federal grants to State and local governments totaled only \$2 billion, and by 1960 they had risen to only \$7 billion. In 1975, they are estimated to reach \$52 billion, an annual average increase since 1969 of 17%.

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

Function	1950 actual	1955 actual	1960 actual	1965 actual	1970 actual	1975 estimate
Agriculture and rural development....	5	7	4	5	3	2
Natural resources and environment...	2	3	2	2	3	8
Commerce and transportation	21	19	43	40	21	13
Community development and housing.	(¹)	3	3	5	11	8
Education and manpower.....	11	14	10	10	18	13
Health.....	5	4	4	7	15	17
Income security.....	55	47	33	29	26	25
General Revenue Sharing.....						12
General government and other.....	1	2	1	2	3	3
Total.....	100	100	100	100	100	100

¹ Less than 0.5%.

The functional composition of the grant program has changed significantly over the years, as shown in table N-2. The most dramatic growth has occurred in the health area, which has increased from 4% of Federal aid in 1960 to an estimated 17% in 1975. The most striking recent changes are the addition of General Revenue Sharing in 1972 and the increases in outlays for environmental protection.

The structure of the grant system has also changed significantly in recent years. Grant programs were originally set up to meet specific categories of national needs. Federal controls were imposed to ensure that funds were used to satisfy those needs. As the grant system grew, new programs—frequently overlapping existing programs—were established to meet other needs as perceived by other sponsors. While these “categorical” grant programs were often beneficial, the uncoordinated nature of the resulting system created many problems, including:

- Excessive Federal administrative requirements.
- Rigid funding and organizational arrangements, such as matching fund requirements, which were unresponsive to changes in priorities over time.
- Unnecessary limitations on the authority of State and local elected officials, often imposed by remote Federal officials with little understanding of local problems.
- The creation of competitive and duplicative State and local governmental institutions.

In the late 1960's and early 1970's, two forces merged to provide a strong impetus for reform. First, many State and local governments

were experiencing fiscal difficulties, as the demand for higher levels of public services escalated. The Federal Government responded with large increases in aid through categorical grant programs. While this relieved much of the fiscal pressure on these governments, it aggravated the problems inherent in the categorical grant structure.

Simultaneously, a strong interest developed in better defining the appropriate functional responsibilities of different levels of government and in distributing decisionmaking authority accordingly. Consistent with the philosophy of the New Federalism, the Administration began to differentiate those programs that clearly involve national responsibilities from those which could be better administered at the State and local level.

As a result, during the last 5 years the expansion of grant expenditures has been accompanied by continued reform efforts. Within the context of an improved State and local fiscal situation—aided by continued substantial Federal assistance—these reform efforts will continue to be the focus of the Federal aid program.

REFORM OF THE GRANT SYSTEM

Efforts to reform the grant system have focused on four basic approaches, all of which further the New Federalism:

- Decentralization of program management functions to Federal field officials;
- Maximum possible sharing of planning and management functions with State and local governments;
- Consolidation of overlapping Federal grant programs; and
- Simplification of Federal grant administrative requirements.

Table N-3. PER CAPITA DISTRIBUTION OF GRANTS¹ BY FEDERAL ADMINISTRATIVE REGIONS, FISCAL YEARS 1969-73

Region ²	1969	1970	1971	1972	1973
I—Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island.....	101.9	118.6	144.2	175.3	202.4
II—New York, New Jersey, Puerto Rico, Virgin Islands.....	103.2	118.6	159.4	209.7	234.8
III—Virginia, Pennsylvania, Delaware, Maryland, West Virginia, District of Columbia.....	94.5	126.6	147.2	163.6	219.5
IV—Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida.....	100.8	117.0	142.5	163.0	199.6
V—Illinois, Indiana, Michigan, Ohio, Wisconsin, Minnesota.....	76.9	84.8	104.8	134.2	172.4
VI—Arkansas, Louisiana, Oklahoma, New Mexico, Texas.....	110.7	126.7	145.4	169.4	209.1
VII—Iowa, Kansas, Missouri, Nebraska.....	87.5	98.6	117.1	135.3	167.7
VIII—Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming.....	135.5	155.4	178.2	208.2	250.6
IX—Arizona, California, Nevada, Hawaii, other territories.....	115.8	151.6	168.3	197.4	228.2
X—Idaho, Oregon, Washington, Alaska.....	117.4	139.6	172.2	207.9	267.1
United States.....	99.4	117.4	141.4	172.6	212.3

¹ The per capita distribution of aid varies for several reasons. See "The Impact of Federal Aid" section below.

² These are not the same regions as those used for National Income Account computations. See table N-6.

Source: "Federal Aid to States," Department of the Treasury; and "Governmental Finances in 1970-71," Bureau of the Census. These reports provide additional information concerning State distribution of Federal grants.

The *decentralization* of Federal management functions has focused on standardizing the Federal field structure into a system of 10 administrative regions, and the creation of a Federal Regional Council in each regional headquarters city. This organizational restructuring is now permitting the increasing decentralization of authority to Federal officials who sit on the councils. This enables State and local officials to work more closely with Federal authorities, and facilitates coordination among Federal agencies at the regional level. Most Federal assistance agencies now not only share common geographic boundaries, they also have developed common services arrangements, procedures for multiagency funding of applications, and improved techniques for responding to the needs of States and localities on an interagency basis.

The broader *sharing* of planning and management authority with State and local governments has taken place primarily through new programs. General Revenue Sharing contains only minimal administrative provisions, giving States and localities great latitude in making their own spending decisions. Programs of the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Law Enforcement Assistance Administration all permit substantial State and local input for planning, monitoring, and/or enforcement purposes. The Administration will continue to propose legislation and make administrative adjustments that give State and local elected officials greater freedom in designing programs to meet their particular needs. It will also emphasize programs aimed at improving State and local management capabilities.

The *consolidation* of related Federal assistance programs is effected through block grant and broad-based formula grant approaches and simple elimination of duplicative and narrow categorical grants. This budget makes significant proposals in the areas of community development, education, transportation, health, and State and local management assistance, which complement similar initiatives in the manpower and law enforcement areas. Each of these proposals will be actively pursued.

The *simplification* of Federal administrative requirements for grants has been carried out through issuance of governmentwide standards and selected reductions in grant application and reporting requirements. Implementation of block and broad-based formula grant proposals will facilitate this effort as well.

It should be stressed that the New Federalism does *not* mean an abdication of Federal responsibilities. New Federalism seeks to differentiate functions best performed by central authorities from those which ought properly to be decentralized or delegated. By permitting each level of government to focus attention on the functions best performed at its level—without undue interference from other levels—the New Federalism is helping to restore a balanced federal system, to enhance accountability to the public, and to increase governmental efficiency.

GENERAL REVENUE SHARING

General Revenue Sharing, now in its second year, provides funds for the States and localities with minimal restrictions and controls. The following are the program's main features:

- *Predictability.*—A total of \$30.2 billion has been appropriated for 5 calendar years, with the annual appropriation growing from \$5.3 billion for 1972 to \$6.5 billion for 1976. States and localities can thus plan on the basis of assured revenues.
- *Minimal restrictions.*—There are no program limitations on expenditures by States and only broad guidelines for localities. Federally imposed administrative requirements are minimal.
- *Distribution.*—The entitlement of each State is determined by formulas based on population, tax effort, and per capita income. Allocations are based on data prepared by the Department of Commerce. No costly, time-consuming applications are required.
- *Guaranteed funds for cities and counties.*—Local governments receive two-thirds of the funds allocated to each State. Distribution of funds among a State's cities and counties is determined by a formula similar to that used for distribution among the States.
- *Accountability.*—State and local governments must publish plans and publicly account for the use of revenue sharing funds.

Through January 7, 1974, \$11.2 billion has been distributed. These funds have enabled State and local governments to provide needed services, to reduce debt burdens, and in many cases to reduce taxes.

The following table shows how funds for the first three entitlement periods—January 1, 1972 through June 30, 1973—have been reported as spent in the "actual use reports" required by law. As the table indicates, recipient governments reported spending \$2.7 billion, or 41%, of the \$6.7 billion they had received by the end of this period. State and local governments have 2 years from receipt of funds in which to use them.

Table N-4. GENERAL REVENUE SHARING—ACTUAL USE REPORTS¹
(in millions of dollars)

Category ²	State governments		Local governments	
	Operating and maintenance	Capital	Operating and maintenance	Capital
Education.....	643.0	21.3	-----	22.9
Environment.....	1.3	6.1	91.2	89.3
General government.....	18.5	5.9	0.0	177.8
Health.....	30.0	2.7	71.4	63.9
Public safety.....	15.1	5.0	481.4	153.9
Recreation.....	1.4	2.3	34.4	78.9
Social services.....	57.5	3.7	30.6	9.2
Transportation.....	45.5	10.1	138.4	222.9
Other.....	78.6	6.4	69.9	58.9
Total.....	890.9	63.5	917.3	877.7

¹ As provided by recipient governments. For a further evaluation of actual use expenditures, see the forthcoming publication of the Office of Revenue Sharing, "General Revenue Sharing—The First Actual Use Reports."

² These categories are not precisely additive. "Local" operating and maintenance categories are specified by law, while "State" categories are not.

THE IMPACT OF FEDERAL AID

Federal aid has become an increasingly important factor in the finances of all levels of government. It has risen from 9% of total Federal outlays in 1965 to 17% in 1975, and is now 25% of budget outlays for domestic civilian purposes. Federal aid has also increased as a percentage of State and local governmental expenditures, growing from 15% to 22% during the same period. These proportions are all slightly lower in 1975 than in 1973 and 1974 because increases in Federal payments to individuals (primarily Social Security) overwhelm increases in other areas. Moreover, one such payment—under the Supplemental Security Income program—ceased to be a grant program and a State-local expenditure when the Federal Government assumed responsibility for it on January 1, 1974.

Table N-5. IMPACT OF FEDERAL-AID OUTLAYS ON GOVERNMENTAL EXPENDITURES

Fiscal year	Federal aid			
	Amount (millions)	As a percent of—		
		Total Federal outlays	Domestic Federal outlays ¹	State-local expenditures ²
1959	\$6,669	7.2	15.9	13.9
1960	7,040	7.6	16.4	13.5
1961	7,112	7.3	15.4	12.6
1962	7,893	7.4	15.8	13.2
1963	8,634	7.8	16.5	13.3
1964	10,141	8.6	17.9	14.6
1965	10,904	9.2	18.4	14.6
1966	12,960	9.7	19.2	15.6
1967	15,240	9.6	19.5	16.3
1968	18,599	10.4	20.9	18.2
1969	20,255	11.0	21.3	17.4
1970	23,954	12.2	21.9	18.3
1971	29,844	14.1	23.5	19.8
1972	35,940	15.5	24.5	21.5
1973	43,963	17.8	26.8	23.5
1974 estimate	48,293	17.5	25.8	23.3
1975 estimate	51,732	17.0	24.7	22.4

¹ Defined for this purpose as excluding outlays for defense, space, and international programs.

² "Governmental Finances in 1971-72," Bureau of the Census.

The influence of Federal grants is substantially greater than the figures alone indicate. Many grant programs are intended to encourage innovation by State and local governments by testing and demonstrating a new concept's validity in "demonstration" programs. Other programs unnecessarily restrict States by requiring them to establish and maintain specific agencies, though many of these provisions are being phased out. Most importantly, many programs require the recipient government to match Federal aid funds with its own resources. In the last few years, State and local governments

have allocated about 10% of their own revenue to match Federal grant moneys. Broad-based formula grants reduce or eliminate matching requirements, thereby freeing resources to be used according to State and local priorities.

Federal aid on a per capita basis varies widely among regions, and even among States in the same region. The thinly populated western States traditionally rank high because of highway construction grants and shared revenues from Federal land holdings. For example, the Rocky Mountain region has the lowest regional population density, extensive Federal land holdings, and the highest per capita aid.

Table N-6. PER CAPITA DISTRIBUTION OF FEDERAL AID, FISCAL YEARS 1966-73

Region ¹	1966	1967	1968	1969	1970	1971	1972	1973
New England.....	60.8	72.6	93.6	101.9	118.6	144.2	175.3	211.1
Mideast.....	51.6	63.4	87.5	87.0	122.2	154.9	192.2	230.1
Great Lakes.....	47.3	53.6	66.8	74.9	82.7	102.3	131.4	169.8
Plains.....	69.8	75.5	90.6	93.4	104.6	126.9	146.8	183.9
Southeast.....	73.3	83.7	94.0	107.2	121.0	148.8	167.3	206.9
Southwest.....	73.3	86.2	100.3	116.3	121.7	139.6	158.2	195.0
Rocky Mountain.....	107.7	112.3	129.7	136.3	153.9	178.7	206.8	241.4
Far West.....	79.5	94.9	109.4	115.2	148.6	172.6	197.6	231.3
United States ².....	66.1	77.0	93.1	99.4	117.4	141.4	172.6	212.3

¹ These are the same regions as those used by the Department of Commerce for National Income Account purposes. Alaska and Hawaii, while counted in the totals, are not put into regions.

² These are per capita figures for the entire United States, including Puerto Rico and U.S. territories, which the National Income Accounts omit.

Source: "Federal Aid to States," Department of the Treasury; and "Governmental Finances in 1970-71," Bureau of the Census. These reports provide additional information concerning State distribution of Federal grants.

This effect has diminished in recent years, though, as human resources programs have grown relative to physical resources programs. Moreover, the addition of General Revenue Sharing has tended to equalize per capita figures among the regions. The Rocky Mountain region, which had per capita grants 60% above the national average in 1966, now has grants only 14% over the average, while the Great Lakes region has risen from 28% below the average to only 20% below.

In addition, an important qualitative shift has been taking place—the increasing emphasis on urban areas. The American population is becoming increasingly urban; today, over 70% of the population lives in the 268 standard metropolitan statistical areas (SMSA's). About \$35.9 billion or 70% of Federal grants will be spent in or directly affect these SMSA's in 1974. This is an increase of \$21.9 billion, or nearly 155% over the level provided to urban areas in 1969.

Table N-7. FEDERAL-AID OUTLAYS IN SMSA'S (in millions of dollars)

Function and program	1961 actual	1964 actual	1969 actual	1975 estimate
National defense	10	28	30	38
Agriculture and rural development:				
Donation of surplus commodities.....	128	231	313	299
Other.....	27	40	104	141
Natural resources and environment:				
Environmental protection.....	24	8	79	2,603
Other.....	30	10	101	249
Commerce and transportation:				
Economic development.....		158	104	331
Highways.....	1,398	1,948	2,225	2,678
Airports.....	36	36	83	232
Urban mass transportation.....			122	586
Other.....	1	5	5	117
Community development and housing:				
Funds appropriated to the President.....			432	183
Urban renewal.....	106	559	786	863
Public housing.....	105	136	257	1,023
Water and sewer facilities.....		36	52	104
Model Cities.....			8	209
Better Communities Act.....				560
Other.....	2	17	75	223
Education and manpower:				
Consolidated Education Grants.....				1,337
Elementary and secondary.....	222	264	1,262	556
Higher education.....	5	14	210	30
Vocational education.....	28	29	179	280
Employment security.....	303	344	449	315
Comprehensive Manpower Assistance.....				1,220
Manpower activities.....		64	530	369
Other.....	3	7	333	990
Health:				
Health services.....	47	82	219	458
Preventive health services.....				38
Alcohol, drug abuse, and mental health.....	4	8	77	530
Health resources.....	48	66	216	545
Medical assistance.....		140	1,731	3,989
Other.....		4	54	
Income security:				
Rehabilitation services.....	37	61	247	669
Public assistance.....	1,170	1,450	3,022	4,820
Child nutrition, special milk and food stamps.....	131	168	482	3,484
Other.....	3	16	148	429
General government:				
Law enforcement (including law enforcement assistance).....			17	656
National Capital region.....	25	38	85	361
Other.....		9	27	65
Other functions		2		29
General Revenue Sharing				4,322
Total aids to urban areas	3,893	5,588	14,045	35,931

FEDERAL STATISTICS ON AID TO STATE AND LOCAL GOVERNMENTS

The Federal Government produces three major statistical series for Federal aid to State and local governments—the National Income Accounts¹ grants-in-aid series, the Federal payments (Census) series, and the budget series exhibited in this special analysis. The budget series is designed to provide a comprehensive picture of Federal aid, focusing on programs that are financed but not directly administered by the Federal Government. The Census and NIA series are part of broader statistical concepts encompassing the entire economy, and as a consequence they define Federal grants somewhat more narrowly than the budget series. They both omit the following items which the budget series includes:

- Federal aid to the governments of Puerto Rico and U.S. territories;
- Payments in-kind, primarily commodities purchased by the Department of Agriculture and donated to the school lunch and other nutrition programs;
- Food stamp payments, which are similar in nature to public assistance grants but are administered somewhat differently; and
- Payments to private, nonprofit entities (such as manpower training programs and nonprofit hospitals) which operate under State auspices or within a State plan.

¹ Special Analysis A of this volume contains additional information on the NIA grant series.

Table N-8. **THREE MEASURES OF FEDERAL AID TO STATE AND LOCAL GOVERNMENTS, 1965-72** (in billions of dollars)

	1965	1966	1967	1968	1969	1970	1971	1972
Budget (Special Analysis N)	10.9	13.0	15.2	18.6	20.3	24.0	29.8	35.9
Less principal exclusions:								
Agricultural commodities.....	-.4	-.3	-.3	-.5	-.7	-.6	-.6	-.6
Food stamps.....	-.*	-.1	-.1	-.2	-.2	-.6	-1.5	-1.9
Geographical exclusions.....	-.3	-.2	-.3	-.3	-.4	-.4	-.4	-.4
Plus payments for research.....	.8	.9	1.0	1.1	1.1	1.2	1.4	1.0
All other, net.....	*	-.2	-.4	-.7	-.7	-.4	-1.2	-.4
Federal payments (Census)	11.1	13.1	15.0	18.1	19.4	23.3	27.5	33.6
Less low-rent public housing.....	-.2	-.2	-.2	-.3	-.3	-.4	-.5	-.7
All other, net.....	.1	-.2	-.*	*	.1	-.3	-.2	*
Grants-in-aid (national income accounts)	10.9	12.7	14.8	17.8	19.2	22.6	26.8	32.9

*Less than \$50 million.

The only major group of payments which the budget definition excludes but Census and the NIA include is payments for research conducted by public universities. The budget series excludes these payments because they are considered to be largely a purchase of services for the Federal Government rather than aid for State programs. Since both Census and the NIA series focus on cash payments, they count these as grants. The one major outlay included in the budget and Census definitions but excluded from the NIA series is payments for low-rent public housing, which the NIA count as purchases by the Federal Government rather than as grants.

There are various other—relatively minor—differences in the coverage of the three series. The series also define functions differently. For example, coverage of the health and welfare functions differs among the three series.

Table N-8 illustrates the differences among these series, and demonstrates the growing divergence between the budget series and the other two. This divergence is due primarily to the growth of the food stamp program, which increased from \$248 million in 1969 to \$1.9 billion in 1972. The expected expansion of this program to \$3.9 billion in 1975 will result in an even greater divergence in the future.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS¹
(outlays in millions of dollars)

Agency and program	Functional code	1973 actual	1974 estimate	1975 estimate
National defense:				
Department of Defense— Military:				
Civil defense shelters and financial assistance.....	051	27.5	32.3	32.7
Construction of Army National Guard centers.....	051	25.8	10.0	10.0
Atomic Energy Commission.....	058	5.2	5.4	7.2
Other.....	059	3.2	4.4	3.5
Total, national defense.....		61.8	52.1	53.4
International affairs and finance:				
Department of State:				
East-West Cultural and Technical Interchange Center.....	153	6.3	7.2	7.4
International Center, Washington, D.C.....	151	---	1.1	1.1
Total, international affairs and finance.....		6.3	8.3	8.5
Agriculture and rural development:				
Department of Agriculture: Agricultural Marketing				
Service and Commodity Credit Corporation.....	351	973.5	1,079.9	499.0
Rural water and waste disposal facilities.....	352	42.0	51.6	37.7
Mutual and self-help housing.....	352	1.5	3.0	5.5
Rural housing for domestic farm labor.....	352	4.1	3.0	1.7
Resource conservation and development.....	354	8.2	15.7	9.5
Consumer protective programs.....	355	29.3	31.1	32.6
Cooperative agricultural extension service.....	355	158.2	172.4	175.0
Cooperative State Research Service.....	355	80.0	87.4	93.3
Rural Development.....	352	---	1.0	6.0
Total, agriculture and rural development.....		1,296.9	1,445.0	860.2

See footnotes at end of table.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹—Con.
(outlays in millions of dollars)

Agency and program	Func- tional code	1973 actual	1974 estimate	1975 estimate
Natural resources and environment:				
Department of Agriculture:				
Watershed protection and flood prevention.....	401	78.5	119.7	101.1
Grants for forest protection and utilization.....	402	24.9	26.3	27.1
National forest and grassland funds: payments to States and counties (shared revenue).....	402	85.6	114.6	102.1
Assistance to States for tree planting.....	402	.7	.7	.8
Department of Defense—Civil: Corps of Engineers:				
Payments to States, Flood Control Act of 1954 (shared revenue).....	401	3.0	3.0	3.0
Department of the Interior:				
Payments to States and counties (shared revenue)..	402	96.0	103.9	118.9
Bureau of Reclamation.....	401	1.6	2.9	1.1
Mine drainage and solid waste disposal.....	403	-----	.2	.2
Fish and wildlife restoration and management.....	405	58.1	66.5	70.6
Outdoor recreational areas (Land and Water Conser- vation Fund).....	405	107.3	160.0	160.0
Preservation of historic properties.....	405	4.0	6.3	9.3
Office of Water Resources Research.....	401	8.3	8.2	7.6
Land use planning.....	402	-----	-----	37.2
Federal Power Commission: Payments to States (shared revenue).....	401	.1	.1	.1
Tennessee Valley Authority: Payments in lieu of taxes (shared revenue).....	401	27.3	31.1	39.2
Water Resources Council.....	401	2.9	3.4	2.2
Environmental Protection Agency.....	401	745.1	2,085.2	3,470.9
Total, natural resources and environment.....		1,243.3	2,732.1	4,151.3
Commerce and transportation:				
Funds appropriated to the President:				
Disaster Relief.....	507	155.9	200.0	164.0
Appalachian development.....	507	260.1	291.1	327.9
Department of Commerce:				
State marine schools.....	502	.5	.5	.5
Regional development.....	507	38.4	38.3	36.2
Minority Business Enterprise.....	506	2.2	3.0	25.5
National Oceanic and Atmospheric Administration..	506	26.3	28.6	31.6
Economic development assistance.....	507	193.8	192.3	218.1
Department of the Interior: Indian programs.....	507	10.5	14.2	40.7
Department of Transportation:				
Forest and public lands highways.....	503	33.8	15.9	13.3
Highway beautification.....	503	16.0	46.0	44.3
Highway safety.....	503	76.7	108.4	113.3
Federal-aid highways (trust fund).....	503	4,604.5	4,399.5	4,570.4
Urban mass transportation facilities.....	503	290.7	405.4	588.9
Federal aid for airports and airways (trust fund)...	501	232.3	234.0	290.0
Other.....	---	19.4	32.1	38.1
Total, commerce and transportation.....		5,961.1	6,009.2	6,502.7

See footnotes at end of table.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS—Con.
(outlays in millions of dollars)

Agency and program	Functional code	1973 actual	1974 estimate	1975 estimate
Community development and housing:				
Funds appropriated to the President.....	551	676.4	589.4	226.5
Department of Housing and Urban Development:				
Model city grants.....	551	586.2	586.4	220.0
Urban renewal.....	551	1,010.3	1,150.0	1,150.0
Open space land and urban beautification.....	551	61.4	69.2	70.0
Grants for basic water and sewer facilities.....	551	156.5	160.0	160.0
Grants for neighborhood facilities.....	551	26.6	35.0	35.0
Community Planning and Management.....	551	76.9	112.0	125.3
Low-rent public housing programs.....	555	1,052.6	1,176.4	1,363.2
Legal Services Corporation.....	551	-----	-----	31.5
Better Communities Act.....	551	-----	-----	560.0
Total, community development and housing.....	---	3,646.9	3,878.4	3,941.5
Education and manpower:				
Funds appropriated to the President.....	601	10.6	-----	-----
Department of Health, Education, and Welfare:				
Office of Child Development.....	601	372.8	399.3	426.0
Elementary and secondary education.....	601	1,819.1	2,061.6	683.3
Consolidated education grants.....	604	-----	-----	1,910.4
Assistance to schools in federally affected areas.....	601	518.5	485.5	416.3
Education of the handicapped.....	601	39.6	35.5	16.3
Indian education.....	601	-----	16.1	38.8
Higher education activities.....	602	187.4	90.6	47.0
(Portion to private institutions).....	---	(43.8)	(21.0)	(13.0)
Vocational education.....	603	591.5	573.8	318.4
Libraries and community services.....	605	84.7	201.1	122.9
Educational development.....	605	120.3	194.3	133.5
Work incentive activities.....	607	266.0	291.7	297.2
Emergency school assistance.....	601	40.5	190.3	230.4
Department of Labor:				
Comprehensive manpower assistance.....	607	987.2	1,054.6	1,626.8
Grants for employment services.....	607	63.6	64.4	64.4
Occupational safety.....	609	3.7	31.7	44.0
Grants to States for administration of employment security and training programs (trust fund).....	607	362.6	379.4	380.0
Emergency employment assistance.....	607	1,002.2	617.3	-----
Department of Interior: Bureau of Indian Affairs:				
Education and welfare services.....	601	23.3	23.3	23.9
National Foundation on the Arts and the Humanities.....	608	6.5	8.3	14.6
Corporation for Public Broadcasting.....	605	35.0	50.0	60.0
Equal Employment Opportunities Commission.....	609	1.3	2.1	3.0
Other.....	---	18.6	4.8	2.0
Total, education and manpower.....	---	6,554.5	6,775.8	6,859.2
Health:				
Department of Health, Education, and Welfare:				
Health services.....	652	548.8	623.2	654.3
Center for disease control.....	653	46.2	65.9	53.7
Health resources.....	651	455.1	581.5	762.9
(Portion to private, nonprofit institutions).....	---	(99.3)	(111.2)	(139.2)
Alcohol, drug abuse, and mental health.....	651	319.0	444.3	602.1
Medical assistance.....	652	4,599.8	5,827.0	6,508.0
Total, health.....	---	5,968.9	7,541.9	8,544.9

See footnotes at end of table.

Table N-9. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS ¹—Con.
(outlays in millions of dollars)

Agency and program	Functional code	1973 actual	1974 estimate	1975 estimate
Income security:				
Department of Health, Education, and Welfare:				
Income maintenance payments.....	703	5,921.7	5,346.5	4,347.5
Social services for welfare recipients.....	703	1,612.9	1,785.5	2,078.5
Rehabilitation and other services.....	704	664.9	865.1	973.8
Department of Agriculture:				
Food stamp.....	703	2,160.7	2,931.9	3,856.9
Child nutrition program and special milk.....	703	685.3	904.5	1,376.3
Department of Labor:				
Retirement and social insurance (trust fund).....	702	451.6	438.0	465.4
Total, income security.....	---	11,497.1	12,271.5	13,098.4
Veterans benefits and services:				
Veterans Administration:				
Aid to State homes.....	804	17.2	32.7	25.5
Grants for construction of State nursing homes.....	804	2.6	5.8	5.5
Administrative expenses.....	804	.7	1.0	1.3
Assistance for health manpower training institutions.....	804	-----	7.7	13.8
Total, veterans benefits and services.....	---	20.5	47.2	46.1
General government:				
Department of the Interior:				
Grants to territories.....	910	76.7	82.7	81.4
Internal revenue collections, Virgin Islands (shared revenue).....	910	22.4	16.7	22.4
Department of Justice: Law enforcement assistance....	908	526.3	707.7	747.2
Treasury Department: Tax collections for Puerto Rico (shared revenue).....	910	109.5	116.0	116.0
National Capital region:				
Federal Payment to District of Columbia.....	909	181.5	190.0	231.5
Washington Metropolitan Transit Agency.....	909	75.8	182.9	184.4
Other.....	---	76.8	88.5	108.6
Total, general government.....	---	1,069.0	1,384.5	1,491.5
General revenue sharing.....	940	6,636.4	6,147.2	6,173.8
Total, grants and shared revenues.....	---	43,962.5	48,293.0	51,731.5

*Less than \$50 thousand.

¹ Grants-in-aid unless otherwise specified. Excludes loans which are shown separately in table N-10.² Spend-out from prior year budget authority.

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

Agency and program	Disbursements			Net outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Natural resources:						
Department of the Interior: Reclamation loans.....	17.7	14.1	13.0	17.7	14.1	13.0
Total, natural resources.....	17.7	14.1	13.0	17.7	14.1	13.0
Commerce and transportation:						
Department of Commerce: Economic development assistance.....	7.1	11.6	6.4	7.1	11.6	6.4
Department of Transportation:						
Mass transportation facilities.....	38.0	-----	-----	38.8	-.2	-.2
Right-of-way revolving fund.....	24.9	50.2	46.0	24.9	50.2	46.0
Total commerce and transportation.....	70.0	61.8	52.4	69.9	61.6	52.2
Community development and housing:						
Department of Housing and Urban Development:						
Low-rent public housing fund.....	625.5	700.0	650.0	-14.9	-----	-----
Housing management: Revolving fund.....	-1.6	-1.0	-.8	-5.5	-5.4	-5.2
Community development.....	807.9	1,038.0	845.4	-10.5	-4.5	-26.0
Total, community development and housing.....	1,431.8	1,737.0	1,494.6	-31.0	-9.8	-31.2
Education and manpower:						
Department of Health, Education, and Welfare:						
Higher education activities.....	2.9	4.9	5.6	-.4	1.3	1.6
Medical facilities.....	5.1	53.5	20.0	5.1	13.5	-18.6
Department of Housing and Urban Development: College housing.....	24.1	12.0	8.0	1.5	-12.2	-18.2
Total, education and manpower.....	32.1	70.4	33.6	6.2	2.6	-35.2
General government:						
Department of the Interior: Administration of territories.....	3.9	2.9	3.8	3.9	2.9	3.8
District of Columbia.....	175.5	270.1	253.2	175.5	270.1	253.2
Total, general government.....	179.4	273.1	257.0	179.4	273.1	257.0
Total.....	1,731.0	2,156.4	1,850.6	242.1	341.6	255.8

SPECIAL ANALYSIS O

FEDERAL RESEARCH AND DEVELOPMENT PROGRAMS

Federal funds for research and development will increase by 9% from 1974 to 1975 reflecting recognition of the larger potential contribution of science and technology to the solution of critical national problems. This is particularly true in the case of energy, where the 1975 budget reflects a substantial increase in research and development.

In addition to energy, the 1975 funds provide for the research and development needed to:

- maintain the deterrent capabilities of strategic military forces and improve the readiness and combat capabilities of general purpose forces;
- maintain a balanced space program that advances space science and the practical application of space technology; and
- respond to other pressing societal needs such as health, transportation, environment, natural hazards, drug abuse, and crime prevention.

Estimated Federal obligations for the conduct of research and development are shown in table O-1. Total obligations will increase by \$1.9 billion to \$19.8 billion. Civilian research and development will increase by 21% in 1975. Defense research and development obligations will increase by about 10%. Space related research and development will continue close to the 1974 funding level.

Table O-1. THE OVERALL FEDERAL R. & D. OUTLOOK

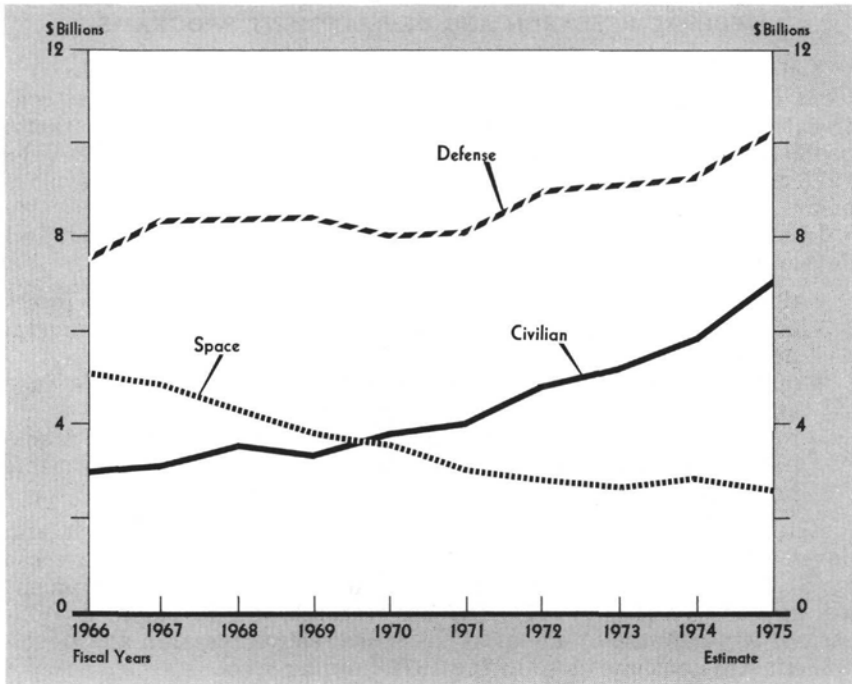
(obligations for conduct of R. & D. in billions of dollars)

	1973 actual	1974 estimate	1975 estimate
Defense, including AEC military related programs.....	9.0	9.3	10.2
Space program ¹	2.6	2.8	2.6
Civilian programs.....	5.2	5.8	7.0
Total.....	16.8	17.9	19.8

¹ Includes all NASA programs except those dealing with aeronautical research, communications and environmental satellites, earth observations, and technology utilization which are included under civilian programs.

The long-term trends of the Federal research and development (R. & D.) effort is shown in the following chart.

Conduct of Research and Development—Obligations



Federal funds for research and development in the 1975 budget reflect an investment on priority national needs, ranging from national defense to energy to cures for diseases. Attention also is being directed toward a balanced program of research and development which not only emphasizes short-term needs but also invests in areas of longer term importance such as basic research. This balance particularly recognizes a reluctance of industry to support basic research where benefits are not easily capturable by individual companies. Therefore, support by the Federal Government is particularly important in such areas of research.

There continues to be a growing awareness among Federal agencies that the effectiveness of an R. & D. program is often limited by institutional barriers to utilizing the results of R. & D. Thus, increased attention is being devoted by a number of agencies—including Agriculture; Health, Education, and Welfare; Environmental Protection Agency; National Science Foundation; and the Department of Commerce—to efforts which speed up the utilization of federally sponsored research and technology.

Non-Federal investment in R. & D. in 1975 is estimated to be about \$16 billion or 45% of the total national investment of about \$36 billion for the year. The partnership between the Federal Government and

industry, State and local government, and other investors in science and technology is an important one. It has contributed to a vigorous economy through agricultural and industrial productivity, to national security, and to some of mankind's greatest scientific and technological achievements such as the exploration of the Moon and the abolition of many diseases. The 1975 Federal budget recognizes that difficult challenges facing the American people require the continued partnership of the Federal and other public and private sector programs in research and development.

AGENCY RESEARCH AND DEVELOPMENT PROGRAMS

More than 99% of research and development activities of the Federal Government are performed by 13 major departments or agencies. The following table (O-2) summarizes both obligations and expenditures for conduct of research and development by these agencies. Only a part of the budget increase for new energy R. & D. initiatives is reflected in the budget of the Federal departments and agencies shown in the analysis that follows. An additional \$777 million in obligations and \$461 million in expenditures for acceleration of energy research and development and related activities (included in table O-1 and in the long-term trends shown in the chart) do not appear in any of the tables that follow. The additional funding will be the subject of a later separate submission amending the 1975 budget.

Table O-2. CONDUCT OF RESEARCH AND DEVELOPMENT

(in millions of dollars)

Department or agency	Obligations			Expenditures		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Defense—Military functions.....	8,382	8,573	9,581	8,417	8,676	9,201
National Aeronautics and Space Administration.....	3,085	3,309	3,122	3,271	3,104	3,173
Health, Education, and Welfare.....	1,844	2,332	2,228	1,791	2,191	2,354
Atomic Energy Commission.....	1,361	1,429	1,586	1,361	1,429	1,586
National Science Foundation.....	480	530	549	428	460	498
Transportation.....	311	358	396	312	342	364
Agriculture.....	371	393	412	349	389	416
Interior.....	254	287	345	235	282	317
Commerce.....	191	210	266	179	192	233
Environmental Protection Agency.....	181	174	150	145	180	186
Veterans Administration.....	74	85	94	75	85	94
Housing and Urban Development.....	58	65	70	48	58	67
Justice.....	35	52	56	24	46	56
All other.....	176	132	128	150	151	125
Total, conduct of research and development¹.....	16,802	17,930	18,934	16,784	17,585	18,669
Total, conduct of research.....	6,478	7,287	7,325	6,428	6,971	7,333
Total, conduct of development.....	10,324	10,643	11,660	10,356	10,613	11,335

¹ Details in this and other tables may not add to totals due to rounding.

Table O-3 identifies funding by major agency for new construction or renovation of research and development facilities and for the acquisition of major items of equipment. Funding for facilities generally parallels program levels for the conduct of research and development but the acquisition of individual large facilities may cause the overall obligations and expenditures for this purpose to fluctuate more markedly. For example, completion of the funding of the Environmental Protection Agency research laboratory in Cincinnati, Ohio, in 1974 accounts for a drop in obligations to zero in 1975 for that agency.

Table O-3. RESEARCH AND DEVELOPMENT FACILITIES (in millions of dollars) ¹

Department or agency	Obligations			Expenditures		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Atomic Energy Commission.....	349	387	411	262	385	432
Defense—Military functions.....	146	201	189	157	175	168
National Aeronautics and Space Administration.....	69	132	156	45	75	102
Transportation.....	38	32	20	25	30	22
National Science Foundation.....	57	39	49	43	43	50
Health, Education, and Welfare.....	43	71	33	49	72	80
Interior.....	26	88	55	16	53	49
Commerce.....	8	12	11	6	10	12
Environmental Protection Agency.....	23	13	-----	3	9	16
Agriculture.....	3	11	8	9	10	10
All other.....	15	24	25	10	27	32
Total, facilities.....	776	1,010	958	624	894	974

¹ Does not include 1975 estimates for all additional facilities related to the accelerated energy research and development program.

In the sections that follow the thrust and content of the R. & D. programs, including facilities, of each of the major agencies are discussed.

DEPARTMENT OF DEFENSE—MILITARY

Department of Defense obligations for research and development, including construction of R. & D. facilities and the cost of associated military personnel, will increase by \$996 million over the 1974 level (which includes a supplemental request of \$103 million) reaching a total of \$9,770 million. Obligations for the conduct of research will increase by \$75 million to a level of \$1,862 million. Obligations for development programs and for the operation of test and evaluation facilities will increase by \$934 million to a level of \$7,720 million.

Both the 1974 supplemental and 1975 budget request provides for acceleration of R. & D. effort to exploit lessons learned from the recent Mideast conflict and increase force readiness, particularly in the areas of air defense suppression, combat mobility, weapons delivery, and ship defense against missiles and other weapons. In 1975, there are significant increases to improve both strategic and tactical force capabilities and to strengthen underlying technology efforts.

In the strategic area, the Trident submarine and missile system, and the B-1 advanced manned strategic bomber both receive increased support. In addition, a number of programs will be initiated to give the United States the option to produce new and more capable strategic systems, should they be required. These include more accurate missile guidance systems, higher yield warheads, and a new standoff cruise missile for air launched delivery. Efforts will begin on a small-size strategic submarine. Later decisions to produce and deploy these weapons will depend on the outcome of ongoing SALT negotiations.

Major tactical systems receiving increases include the Aegis antimissile fleet defense system for the protection of carrier forces against missile attacks, the Airborne Warning and Control System to improve the command, control, and warning capabilities of our tactical air forces, and a new attack helicopter and tank to improve our ground capabilities. The Air Force will enter engineering development of a new combat fighter and the Navy will initiate a new fighter program. These fighter aircraft programs will provide lower cost alternatives for the modernization of tactical air forces.

Increases will also be provided for key technologies that are essential for the development of more capable and efficient military systems and that will allow quick response to changing threats. Lasers, guidance technology, and reconnaissance technology are examples.

The Department of Defense will continue to pursue management approaches such as design-to-cost aimed at increasing the efficiency and effectiveness of its R. & D. effort.

Table O-4. DEPARTMENT OF DEFENSE—MILITARY RESEARCH AND DEVELOPMENT (in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Conduct of research and development:			
Research, development, test, and evaluation:			
Military sciences	457	426	431
Aircraft and related equipment	1,881	1,658	1,832
Missiles and related equipment	2,141	2,112	2,340
Military astronautics and related equipment	421	594	525
Ships, small craft, and related equipment	634	633	726
Ordnance, combat vehicles, and related equipment	381	460	512
Other equipment	1,548	1,687	2,090
Programwide management and support	525	592	712
Other appropriations	394	411	413
Total, conduct of research and development, obligations	8,382	8,573	9,581
Total, conduct of research, included above	1,750	1,787	1,862
Total, conduct of development, included above	6,632	6,786	7,720
Research and development facilities, obligations	146	201	189
Total obligations	8,528	8,774	9,770

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

The 1975 NASA budget—which is classified entirely as research and development—provides for a continuing balanced effort among programs in manned space flight, space science, applications, and aeronautics. The decrease in obligations in 1975, in some areas, compared with those in 1974, represents delayed obligations of 1973 budget authority in 1974.

The funds in the NASA budget for 1975 are tied to the support of a number of near and longer term space projects. Following the Skylab experimental space station in 1974, the next mission in manned space flight will be the Apollo-Soyuz test project to rendezvous and dock U.S. and U.S.S.R. spacecraft in 1975. The Space Shuttle will be developed through the 1970's. It will greatly enhance the flexibility and reduce the cost of space operations by permitting recovery of satellites for refurbishment and reuse, repair of satellites in-orbit, and reuse of launch vehicles.

The main thrust in the space sciences program will be the exploration of the solar system with the two Viking unmanned orbiter/lander spacecraft scheduled for launch to Mars in 1975 and two Mariner spacecraft for the Jupiter-Saturn flyby mission scheduled for launch in 1977. A Pioneer spacecraft recently completed the photographic examination of Jupiter in a flyby of that planet, and another is en route. A spacecraft is on the way to Venus and Mercury; and Venus orbiters and probes are being initiated. Development will continue on the Orbiting Solar Observatory to study the sun and on the High Energy Astronomy Observatory to study celestial X-ray and gamma-ray sources and cosmic rays.

In the space applications program research and development will continue on a new generation of weather satellites to provide major improvements in weather forecasting. A satellite to demonstrate techniques of monitoring the earth's pollution from space will be developed. In addition, the survey of the earth's resources (e.g., water and land use) will continue with the launch and operation of the second Earth Resources Technology Satellite. Two new missions in the applications program are being initiated in 1975. One mission will locate geothermal sites which are potential sources of energy, and the other mission will study the oceans from space.

Aeronautical research and technology will emphasize ways to reduce engine noise of existing aircraft and to improve the performance, reduce the energy requirements, and mitigate undesirable environmental effects of civil and military aircraft. Work is in progress on clean, quiet, efficient propulsion systems for short takeoff and landing aircraft. Similar technological advances are being pursued on conventional takeoff and landing aircraft including current narrow-body civil jet transports.

Table O-5. NATIONAL AERONAUTICS AND SPACE ADMINISTRATION—
RESEARCH AND DEVELOPMENT (in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Conduct of research and development:			
Manned space flight.....	1,136	1,056	1,125
Space sciences.....	662	588	540
Space applications.....	205	175	184
Space and nuclear research and technology.....	82	69	75
Aeronautical research and technology.....	151	168	166
Supporting activities.....	252	249	256
Research and program management.....	722	745	750
Total, conduct of research and development, budget plan..	3,210	3,050	3,096
Research and development facilities, budget plan.....	79	101	151
Total, research and development, budget plan.....	3,289	3,151	3,247
Total, research and development, obligations.....	3,154	3,442	3,278

HEALTH, EDUCATION, AND WELFARE

The Federal Government remains the principal source of financial support for biomedical research in the United States, providing almost two-thirds of all the research funds. The largest single agency supporting medical research is the Department of Health, Education, and Welfare (HEW) through the National Institutes of Health (NIH).

Biomedical research and development supported by NIH will continue the trend of the last several years. Expenditures for 1975 will increase by \$140 million from \$1,643 million in 1974 to \$1,783 million in 1975. The funds will support research into diseases affecting human health, including cancer, heart and lung diseases, sickle cell anemia, aging, and venereal disease. Preventive health care research is being pursued through investigation into infant and child health, new approaches to drug treatment, new pharmacological agents for the treatment and prevention of addiction and on the general epidemiology of the drug problem; new ways to treat, control, and prevent alcoholism and alcohol abuse; basic and chemical research on the multiple causes of alcoholism; and development of new knowledge and approaches to the causes, diagnosis, treatment and prevention of mental illness.

Additional preventive health care research and development is being pursued through funding of demonstrations of health maintenance organizations, family planning, and emergency medical systems.

Social services research will investigate the causes and possible means of remedying poverty, the results of various income main-

tenance efforts, redistributive effects of social security benefits, and the effects of various methods of health insurance financing on economic security. Research on vocational education and education for the handicapped is being pursued by the Office of Education, while under the National Institute of Education, research endeavors involve learning for the disadvantaged, reading career education, educational technology, alternative financing for education (education vouchers), and experimental schools. Table O-6 exhibits the departmental expenditures by agency, and reflects a recent reorganization within HEW.

While the program level of R. & D. in the Department, particularly for the NIH, appears to decline from 1974 as reflected in the lower level of obligations in 1975, the 1974 obligations represent, in part, delayed obligation of 1973 budget authority. Expenditures—which reflect the actual impact of Federal research funding—rise markedly from 1974 to 1975.

Table O-6. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE—RESEARCH AND DEVELOPMENT (in millions of dollars)

	Obligations			Expenditures		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Conduct of research and development:						
National Institutes of Health...	1,338	1,745	1,662	1,327	1,643	1,783
Alcohol, Drug Abuse, and Mental Health Administration.....	122	157	129	112	132	132
National Institute of Education..	107	101	130	36	96	114
Health Resources Administration..	53	61	71	51	48	63
Office of Education.....	58	55	² 15	94	61	² 51
Social and Rehabilitation Service..	53	50	¹ 33	63	66	¹ 47
Food and Drug Administration....	30	35	38	23	33	38
Center for Disease Control.....	33	38	34	34	37	32
Social Security Administration....	18	25	27	18	25	27
Office of the Secretary.....		21	¹ 34		15	¹ 23
Assistant Secretary for Human Development.....	12	15	¹ 24	9	12	¹ 17
Health Services Administration....	12	12	12	12	13	13
Assistant Secretary for Health....	8	16	18	11	11	14
Total, research and development.....	1,844	2,332	2,228	1,791	2,191	2,354

¹ Reflects the transfer of certain research functions from the Social and Rehabilitation Service to the Assistant Secretary for Human Development and the Office of the Secretary.

² Reflects the transfer of certain research functions to revenue sharing accounts.

ATOMIC ENERGY COMMISSION

Research and development by the Atomic Energy Commission will increase from \$1,429 million in 1974 to \$1,586 million in 1975. Obligations for related construction and equipment will total \$411 million in 1975, as compared to \$387 million in 1974. The additional funds, in the main, will be used to accelerate energy research in response to the pressing energy needs of the Nation. Further increases from funds for acceleration of the Federal energy R. & D. effort will further augment the total AEC program in 1975.

AEC's top priority civilian program continues to be the development of an economic Liquid Metal Fast Breeder Reactor (LMFBR). This program will be strengthened in 1975. On July 25, 1973, AEC entered into contracts with Commonwealth Edison Co. of Chicago, the Tennessee Valley Authority, and two not-for-profit corporations, the Breeder Reactor Corp. and the Project Management Corp. for a cooperative endeavor to design, construct, and operate the Nation's first demonstration LMFBR power plant. Funds for the development of the High Temperature Gas Reactor will also be increased and R. & D. will be continued on the Light Water Breeder Reactor, the Gas Cooled Fast Breeder Reactor, and the Molten Salt Breeder Reactor.

Increased emphasis will be placed on the controlled thermonuclear fusion research program. It seeks to develop a new energy source based on the nuclear fusion process that may provide a basis for a long range solution to the Nation's energy problem.

AEC's research program includes investigations in the physical sciences to develop a fundamental understanding of the properties and behavior of both matter and energy; studies in the biomedical and environmental sciences of the effects of energy production on living systems in order to assess, evaluate, and control environment; and research related to weapons technology and detection techniques.

AEC's development programs include design and testing of nuclear weapons, process development in support of nuclear material production activities, development of techniques and facilities for long-term storage of radioactive wastes, and the development of advanced reactors for power and propulsion.

The AEC budget for construction of research and development facilities in 1975 provides for obligations of \$266 million, which is \$15 million more than the 1974 level. Included in the 1975 amount is \$132 million for continued construction of the Fast Flux Test Facility in support of the LMFBR program; \$12 million for completion of construction of a facility for development and testing of a new prototype nuclear propulsion plant in support of the naval reactor program; and \$8 million for construction of heavy ion facilities to support research under the physical research program.

Table O-7. ATOMIC ENERGY COMMISSION—RESEARCH AND DEVELOPMENT¹ (obligations in millions of dollars)

	1973 actual	1974 estimate	1975 estimate
Conduct of research and development:			
National security:			
Weapons research.....	61	58	59
Weapons development and testing.....	394	383	393
Naval reactor development.....	149	154	162
Waste management.....	6	12	17
Total, national security.....	610	607	631
Energy:			
Reactor research and development.....	256	290	350
Controlled thermonuclear research.....	37	53	82
Nuclear materials (production).....	33	40	44
Applied energy technology.....	10	15	12
Other programs.....	9	9	12
Reactor safety research.....	34	41	48
Total, energy.....	379	448	548
Physical research.....	241	250	268
Biomedical and environmental research.....	93	98	112
Space nuclear systems.....	39	26	27
	373	374	407
Total, conduct of research and development.....	1,362	1,429	1,586
Research and development facilities.....	348	387	411
Total, research and development.....	1,710	1,816	1,997

¹ Does not include added funds for research and development or facilities, that are part of the funds for further acceleration of the Federal energy R. & D. effort.

NATIONAL SCIENCE FOUNDATION

National Science Foundation obligations for research and development and related facilities will increase from \$569 in 1974 to \$598 in 1975. These increases reflect the Administration's support for scientific research to provide the fundamental knowledge necessary for economic growth and long-range solutions of problems of national concern. The main problem areas addressed by much of the NSF research include energy, environment and productivity.

In 1975, NSF will expand significantly its support for energy related research as a part of the President's accelerated program of energy R. & D. Further increases for acceleration of the Federal energy R. & D. effort will augment the total NSF energy program in

1975. The NSF will strengthen its funding of fundamental research to provide better understanding of a wide range of energy problems leading to the development of new materials, techniques, and processes for energy systems. Basic and applied studies in solar and geothermal energy will result in the near future in the design and testing of systems for heating and cooling buildings and for commercial utilization of geothermal energy. Selected advanced research will be pursued on unconventional energy sources and alternative energy systems, e.g., photovoltaic and bioconversion systems.

Support of fundamental research will increase by \$34 million to \$325 million. This research—though broadly based—will emphasize such areas as catalysis, industrial processes, biological pest control, plate tectonics, and atmospheric physics. Under its support of major research facilities, the Foundation will provide \$13 million for accelerated construction of the Very Large Array radio astronomy facility begun in 1973.

In addition to the substantial energy program, the Research Applied to National Needs Program will continue its efforts in environmental systems, earthquake engineering, technology assessment and improving productivity in industry and the public sector.

Under its national programs the Foundation provides the management capability for operating large national facilities such as the National Center for Atmospheric Research and the academic oceanographic fleet as well as organizing and managing large research programs, such as the International Decade of Ocean Exploration or the Antarctic Research Program. These national programs will continue to emphasize environmental research (earth, atmospheric and ocean sciences) to improve our knowledge of how to better manage the environment.

DEPARTMENT OF TRANSPORTATION

The research and development obligations for the Department of Transportation, including facilities, have grown rapidly from \$130 million in 1969 to \$390 million in 1974 and are projected at \$417 million for 1975.

The obligation level for 1975 provides funding for maintaining the thrust of transportation research to solve the near term transportation problems facing the Nation, as well as providing funding for technology development which may be needed for future transportation systems. Transportation alternatives are being better defined and tradeoffs are being evaluated so that our near-term problems of energy conservation, urban mobility, environmental protection and improved safety will receive urgently needed emphasis and attention.

Urban mass transportation R. & D. in 1975 will emphasize the development of improved higher capacity, quieter, and low pollution transit buses, the development of advanced personal rapid transit (PRT) systems, and the continuation of the intermodal integration program designed to encourage low-cost service innovations and regulatory actions to improve and maximize the use of current urban transportation systems.

Highway research funding will continue to strengthen cooperative programs with State governments to increase highway and pedestrian safety, reduce the high costs of highway construction and maintenance, and increase the capacity of highways and roadways through improved traffic management techniques. Highway traffic safety research in 1975 will emphasize accident investigation and data analysis, vehicle safety, biomechanics research, and alcohol countermeasures.

Railroad research will emphasize the solution of industry cost and freight car management problems, improved freight service, and rail safety, including tank car improvements.

Air transportation research provides for continued upgrading of the air traffic control system and for increasing airport and airway capacity through improved surveillance, communication and landing aid development, and increased automation of the air traffic function. Also emphasized are aviation safety, aircraft noise and pollution abatement activities, the development of ground-based systems to improve the precision navigation of aircraft, and other air safety research.

R. & D. in the Coast Guard in 1975 will continue to stress maritime pollution control systems development, all weather harbor traffic monitoring, improved aids to navigation, and programs to improve public safety at sea including recreation boating.

DEPARTMENT OF AGRICULTURE

Obligations of the Department of Agriculture for the conduct of research and development will increase from \$393 million in 1974 to \$412 million in 1975.

Developments during the past year in the supply and demand situation for food highlight the need for research to support the production of ample supplies of high quality food and fiber to be marketed at prices consumers can afford to pay. Efficiency in the use of energy must be met in agriculture as well as in other industries. New funds for 1975 will focus on developing new knowledge and technology for reducing the production costs of red meats; increasing productivity of oilseeds—especially soybeans; reducing the costs of producing wheat, feed grains and milk; and minimizing crop losses from disease, insect and environmental stresses—especially from the standpoint of vulnerability associated with narrow genetic bases in most of our major crop varieties.

Increased attention will be given to research on the nutrient composition of our foods and the nutrition status and requirements of the American public.

Improved environmental quality in rural America will be further pursued through increased research on the control of water erosion and sedimentation and other facets of agricultural-related pollution. New studies on nitrogen nutrition of crops will seek to serve the dual objective of improved efficiency of fertilizer and naturally available nitrogen and decreased potential for water pollution.

The Department of Agriculture and cooperating State and private research organizations will reassess their programs during 1975 to insure that the United States has the research base for agricultural preeminence. In addition, new efforts will be made to improve our ability to forecast agricultural trends to aid in production, marketing, and price setting decisions. This will include more detailed and complete cattle and swine surveys and new means for drawing upon data from satellites and other means of remote sensing to survey crop and natural resource conditions and supplies.

DEPARTMENT OF THE INTERIOR

The Department of Interior undertakes research and development involving mineral, land, water, fish, and wildlife resources, as well as geological and energy research and development. Obligations for the Department of Interior for research and development will show an increase from \$287 million in 1974 to \$345 million in 1975. The 1975 amount will be further increased by funds for acceleration of the Federal energy R. & D. effort and will augment the total Department of the Interior's energy program this year.

The Department is accelerating its programs for current land-use mapping in order to speed completion of its long-standing program of mapping the United States at a scale of 1:24,000. It is also accelerating its geological and geophysical evaluation and classification studies of the outer continental shelf and of coal lands in preparation for advanced leasing schedules. The Department is actively pursuing the development of safe mining systems that will at the same time permit maximum recovery of the useful minerals. Programs in metallurgy and ceramics emphasize more efficient processing of raw materials, the derivation of energy from waste materials, and the development of high-temperature, corrosion-resistant materials. Together with the Department of Agriculture, Interior will continue demonstration programs in strip mine restoration in 1975.

Land and water resource studies involve investigations into land-use problems, efforts to improve the quality of the physical environment, and the promotion of efficient allocation and conservation of scarce water and water-related resources. Research programs will be continued to better understand basic principles of hydrology necessary for the appraisal and evaluation of the Nation's water resources, including the effects of underground waste storage. Other research programs include application of environmental resource data in urban decisionmaking processes; and the application of satellite-acquired data in the earth sciences to land and water resource management.

Basic and applied research on principles and processes related to geologic hazards such as land slides and earthquakes will continue. The Department's program is enlarged as a result of the consolidation of Commerce's earthquake program with that of Interior during the past year.

Increased efforts will be applied to find safe and effective control methods for managing nuisance bird populations, research on migratory game birds other than waterfowl will be expanded, and studies of pollution effects on wildlife will be initiated. Research relating to predator animal damage will be expanded.

DEPARTMENT OF COMMERCE

Department of Commerce obligations for the conduct of research and development and facilities will increase by \$55 million in 1975, from \$222 million in 1974 to \$277 million in 1975. This reflects increases for the research and development programs of the National Oceanic and Atmospheric Administration (NOAA), the Maritime Administration (MARAD), and the National Bureau of Standards (NBS).

The principal objectives of the research and development programs in the Department of Commerce are to continue to improve the Nation's environmental prediction and warning capabilities, develop technology to improve the competitive position of the U.S. maritime industry, and encourage technological advancement through improved performance and measurement standards.

In 1975, NOAA will continue research to help reduce loss of life and property from natural disasters by improving the detection and tracking of weather systems and violent storms, by extending the forecasting and data gathering programs, and by exploring the modification of severe storms.

In the marine sciences, NOAA will conduct biological research aimed at the conservation, development, and management of commercial fisheries of the United States. NOAA will also continue research programs in ocean dumping and in coastal zone management, and begin the readjustment of the North American Datum.

The technology development and utilization programs of NBS will be increased, with emphasis on efforts to develop measurement methods and standards for energy conservation, the abatement and control of environmental pollution, the improved reliability and effectiveness of clinical testing laboratories, the technology of radiation control, and improved Federal management and utilization of computers.

The Maritime Administration will continue to emphasize research and development to assist the U.S. maritime industry to develop the technology necessary to improve its international competitive position. The 1975 emphasis will be on improvements related to ship-building methods and equipment, nuclear ship propulsion and shipping operations information systems.

Research to reduce loss of life from fires will be consolidated and expanded in a new National Bureau of Fire Prevention in the Department.

ENVIRONMENTAL PROTECTION AGENCY

Environmental Protection Agency (EPA) research and development in 1975 will continue to emphasize research on human health effects, ecological effects, measurement methods research, and quality assurance. The expansion of these program areas will strengthen the basis for standards set by EPA and support the development of effective control strategies while continuing to identify and evaluate long-range environmental problems. The accelerated energy research and development program for 1975 will include some additional environmental research and further increase in funds to augment the total EPA program.

Air quality research and development efforts will involve expanded epidemiological and toxicological studies of the effects of pollution on human health and continued studies of the health effects of combustion products and catalytic reactor emissions. Ecological effects research will include studies of atmospheric chemical and physical processes of pollutants and continued studies to characterize the combustion products of fuels, fuel additives and catalytic reactor emissions and their environmental effects. The air measurements technology program will be expanded to determine compliance with standards and to provide for the continuous monitoring of stationary sources. Ongoing demonstrations of stack gas treatment technology will continue and attention to control of fine particulates will be increased.

Water quality research will emphasize on the development of criteria for the safe treatment and disposal of effluents and sludges from municipal and industrial wastewater treatment plants. Work will continue on the development of criteria for marine and freshwater fish and aquatic life; further understanding of the eutrophication process and lake restoration procedures; and pollution problems of the Great Lakes. In the area of control technology the major thrust will be aimed at area pollution control research and improving technology for existing municipal source control and advanced waste treatment. Industrial source control program will concentrate on developing techniques to meet effluent guidelines for critical industries.

Water supply research will focus on the health effects of asbestos in drinking water with continued support for research to determine the presence of organics and infectious agents in drinking water in order to develop criteria for setting standards. Research into the effects of trace organics, asbestos, nitrates, trace metals and suspended solids, and their removal will continue.

Pesticides research and development will concentrate on expanding the health effects program by undertaking inhalation toxicology studies to assess the significance of respiratory versus dermal exposures to people handling pesticides, and development of human exposure data relating to the safe handling of pesticides. Other research will focus on health effects involving non-ionizing radiation and toxic substances.

RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES

An important component of Federal support of science is the level of funds to universities for research and development. These funds represent grants and contracts with colleges and universities for research and development that can contribute to the achievement of agency missions. The funds are part of the total research and development efforts of the various agencies as shown above in this analysis. The 1975 budget will provide \$2,262 million in expenditures for this purpose, as contrasted with \$2,107 million in 1974, and \$1,888 million in 1973. These expenditures do not include the support to universities and colleges that will result from the allocation of the additional 1975 funds for acceleration of energy research and development and related research activities. A significant increase in the 1975 expenditure level for R. & D. at colleges and universities is anticipated as a result.

While continuing Federal support for basic research on all fronts, the 1975 budget supports educational institutions in their efforts to undertake research focused on important national and regional problems—ranging from studies of the causes of cancer and heart disease to the problems of industry in improving economic productivity. The increase in research funding will not only assist in the support of faculty investigators, but will also provide valuable experience and training for science and engineering graduate students through employment on research projects. Obligations and expenditures are shown by agency in table O-8.

Table O-8. RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES ¹ (in millions of dollars)

Department or agency	Expenditures		
	1973 actual	1974 estimate	1975 estimate
Health, Education, and Welfare.....	937	1,159	1,232
National Science Foundation.....	329	339	409
Defense—Military functions.....	218	204	203
National Aeronautics and Space Administration.....	127	97	91
Atomic Energy Commission.....	83	84	94
Agriculture.....	88	95	99
All other.....	106	128	134
Total.....	1,888	2,107	2,262

¹ Amounts reported in this table are included in the totals for conduct of research and development in table O-2, and do not include the support to universities and colleges that will result from the allocation of the additional 1975 funds for accelerated energy research and development and related research activities.

SPECIAL ANALYSIS P

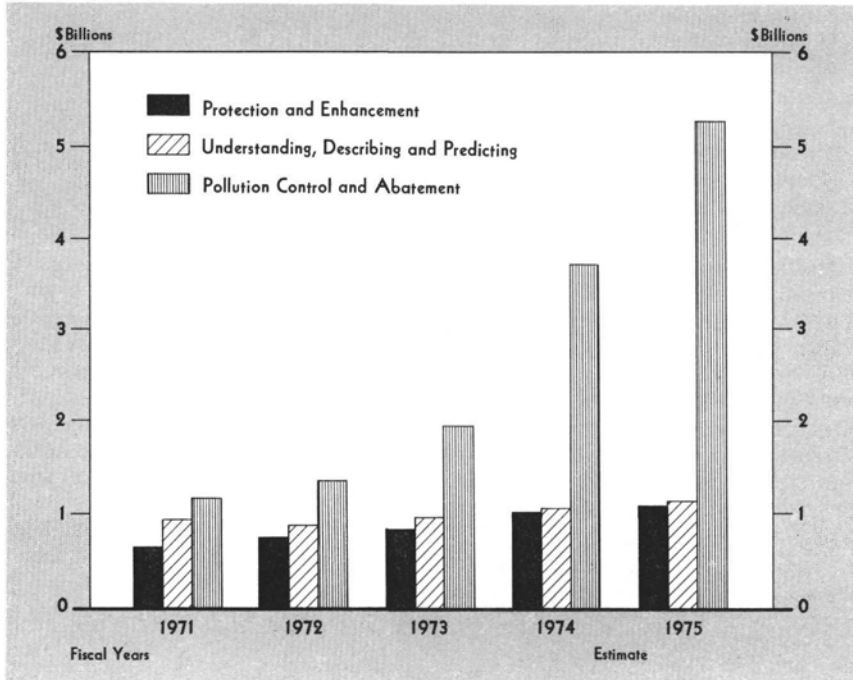
FEDERAL ENVIRONMENTAL PROGRAMS

OVERVIEW

Outlays¹ for environmental programs will be approximately \$7 billion for 1975, an increase of \$1.7 billion over 1974. The objectives of these programs are: to increase understanding of the total environment; to protect the environment and to enhance specific portions of it; and, to control and abate pollution. Outlays for understanding, describing, and predicting the environment will be \$1,107 million, an increase of \$84 million over the 1974 level. Outlays for protection and enhancement activities in 1975 will be \$1,099 million, an increase of \$92 million over the prior year's level. Outlays for pollution control and abatement activities will be \$5.26 billion, an increase of \$1.5 billion over the 1974 figure. In addition, there will be approximately \$300 million more for the environment in 1975 as a result of new programs in response to developing alternative sources of energy. This latter increase is not reflected in this analysis. Trends in total environmental outlays and the activities involved are displayed in chart P-1.

Environmental Outlays, by Activity, 1971-1975

P-1



¹ Outlays are expenditures in payment of obligations which have been made under budget authority granted by Congress. Budget authority for 1975 represents what the President will recommend that Congress appropriate. Unless otherwise noted, all figures in this Analysis are outlays.

Understanding, describing, and predicting the environment.—Activities which describe the environment, predict environmental conditions, and increase man's understanding of his surroundings are conducted by 11 Federal agencies. Outlays in 1975 are expected to total \$1,107 million. Table P-2 describes these outlays with agency breakdowns. Activities conducted in order to understand, describe, and predict the environment, as presented in table P-1, include:

- observing and predicting weather, ocean conditions, and environmental disturbances (such as earthquakes);
- locating and describing natural resources;
- preparing physical environmental surveys of the environment;
- research on modifying weather;
- understanding the impact of man upon the environment; and
- ecological and other basic environmental research.

Total research and development expenditures, aggregated from each of the three functional categories, are displayed in table P-8.

Environmental protection and enhancement activities.—Environmental protection and enhancement activities are conducted by 11 Federal agencies with outlays expected to total \$1,099 million in 1975. Table P-4 breaks these figures down for agencies with the largest programs. Activities budgeted for in this area include:

- city recreation;
- preservation of unique natural areas and endangered species;
- conservation and management of sport fish and wildlife;
- noncity recreation;
- historic preservation and rehabilitation; and
- other similar activities which account for 9% of the environmental protection and enhancement dollar.

Funding for these activities is displayed in table P-3.

Pollution control and abatement activities.—The largest portion of environmental expenditures is for pollution control and abatement activities. This reflects the expansion of the construction grants program for sewage treatment facilities under the 1972 Water Pollution Control Act (Public Law 92-500). The outlays for such grants will be \$3.35 billion, 70% of all pollution control and abatement activities. While the construction grant program is the largest component of this category, it is only one of a number of programs to fight pollution conducted by 15 Federal agencies. Other abatement and control activities, as reflected in table P-6, are:

- extending financial assistance to State and local governments for pollution control programs;
- regulating pollution and enforcing standards;
- conducting research specifically oriented toward controlling and abating pollution; and
- controlling pollution from Federal facilities.

Table P-7 displays which agencies conduct these activities.

Outlays for all three categories of environmental programs for 1975 are displayed below. Because of their relative magnitude, outlays for construction grants have been separated from the pollution control and abatement category.

1975 ENVIRONMENTAL OUTLAYS (estimates)

(in millions of dollars)

Understanding, describing, and predicting the environment.....	1,107
Protection and enhancement activities.....	1,099
Pollution control and abatement activities (excluding construction grants).....	1,908
Construction grants.....	3,350

UNDERSTANDING, DESCRIBING, AND PREDICTING THE ENVIRONMENT

Over \$1 billion will be spent to increase understanding of the environment. This knowledge is necessary to protect and enhance the environment as well as to control pollution and curtail environmental degradation. A wide range of activities are conducted to understand, describe, and predict environmental conditions. Objectives range from the provision of routine weather forecasts to the scientific understanding of complex ecological systems.

[In millions of dollars]

	1973 actual	1974 estimate	1975 estimate
Budget authority.....	1,008	1,043	1,134
Outlays.....	956	1,023	1,107

As table P-1 indicates, almost half of the funding will support environmental observation, research, and measurement in order to describe and predict weather, ocean conditions, and earthquakes. Outlays will amount to \$498 million in 1975 for activities in these areas alone. \$273 million will also be provided for survey activities for the purpose of preparing maps and charts, and locating and describing natural resources. Weather modification research will receive \$21 million. Research to develop a better understanding of the impact of the environment on man, and to increase knowledge of basic ecology and environmental systems will receive \$159 million in 1975.

Agencies involved.—*Department of Transportation* research will focus on making transportation facilities compatible with the environment, and on conserving energy through more efficient use of existing transportation resources. The Coast Guard collects oceanographic and meteorological data for the preparation of maps and charts to be used in the development of ocean transportation. FAA activities are devoted to an understanding of adverse environmental effects of aircraft noise, pollution, and sonic booms. The agency will continue work on a multiyear, multimillion dollar research program on the effects of engine exhaust on the stratosphere.

Table P-1. UNDERSTANDING, DESCRIBING, AND PREDICTING
THE ENVIRONMENT (in millions of dollars)

Type of activity	Budget authority			Outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Observe and predict weather, ocean conditions, and dis- turbances:						
Research and development...	145	151	151	135	142	149
Operations.....	321	339	368	317	326	349
Locating and describing natural resources:						
Research and development...	139	128	147	130	126	143
Operations.....	127	134	151	120	138	150
Physical environmental surveys:						
Research and development...	14	12	9	10	14	12
Operations.....	96	107	128	93	104	123
Weather modification research...	18	21	22	17	21	21
Research on environmental im- pact on man.....	79	75	80	66	77	82
Ecological and other basic en- vironmental research.....	68	76	79	66	74	77
Total.....	1,008	1,043	1,134	956	1,023	1,107

Research by the *Department of Housing and Urban Development* includes analyses to increase knowledge of the effects of urban and nonurban change, particularly as it affects and is affected by the natural environment.

The *Smithsonian Institution* develops environmental base-line data on the abundance and distribution of plants and animals in relation to modification of the environment by man. It also identifies indicator organisms that can be used in monitoring the environment.

In the *Department of Commerce*, the National Oceanic and Atmospheric Administration conducts a wide range of environmental monitoring and prediction activities, weather modification experiments, surveys for mapping and charting, data archiving and dissemination services, and related research. Particular emphasis will be given to improving weather monitoring, prediction and warning. Increased outlays in 1975 will support improvement of weather prediction and warnings through better basic observations. The weather satellite program will provide enhanced environmental warning services and will prepare for the next generation of polar-orbiting satellites. Implementation of the air quality observation network will be continued as will coastal zone research.

Table P-2. UNDERSTANDING, DESCRIBING, AND PREDICTING
THE ENVIRONMENT—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Commerce.....	282	322	364	281	313	348
Defense—Military.....	146	157	160	141	147	149
National Science Foundation....	107	106	113	97	104	109
Interior.....	152	156	178	142	152	177
National Aeronautics and Space Administration.....	142	124	125	127	121	127
Agriculture.....	109	114	126	103	118	126
Health, Education, and Welfare..	31	28	29	26	31	34
Transportation.....	23	18	14	23	18	14
Smithsonian Institution.....	8	8	8	8	8	8
Other agencies.....	8	11	16	8	11	16
Total.....	1,008	1,043	1,134	956	1,023	1,107

The *Department of Health, Education, and Welfare*, through the National Institute of Environmental Health Sciences, conducts research directed at the identification of chemical, physical, and biological environmental factors which affect human health.

The *Department of Defense* conducts activities in environmental observation and measurement to describe and predict weather, ocean conditions, and disturbances important to military operations. Research is conducted in oceanographic instrumentation development and operational systems for observing and forecasting the ocean environment. The Corps of Engineers conducts hydrologic studies as a background for future use in optimum design, construction, and operation of water control structures. The Corps also examines the effects of construction on coastal ecology in order to permit more accurate assessment of the ecological effects of offshore construction, and dredging.

The *National Science Foundation* supports environmental research with the objective of increasing the Nation's knowledge base in order to improve environmental management. Studies are undertaken in all aspects of the biosphere on an environmental systems basis. Efforts will continue to measure and assess the environmental effects of mining, manufacturing, use, and disposal of metallic and synthetic organic compounds.

In the *Department of Agriculture*, the Agriculture Research Service conducts research by remote sensing to study animals in a natural environment, crop conditions and insect infestations, and soil-water-plant conditions in order to improve both animal and crop production. It is also increasing its efforts to monitor and understand the ecological patterns of disease and insects in order to develop an integrated pest management program which would reduce the use of pesticides.

The Forest Service studies forest ecosystems so that policy decisions and management practices can lead to improved productivity while maintaining the quality of the environment. The Soil Conservation Service conducts soil and snow surveys, and makes water supply forecasts.

The *Department of the Interior* attempts to increase understanding of the environment through research conducted by its various bureaus. The Bureau of Reclamation is conducting research on weather modification, water salinity problems, and the effects of water project construction operations on ecology and limnology.

The Park Service conducts natural science ecological studies leading to improved resource management and proposals relating to impact of developments on the park environment.

The Office of Water Resources Research sponsors, and provides for the conduct of research, investigations, and experiments in the water resources field.

The *National Aeronautics and Space Administration*, through its use of satellites, has developed a number of programs with the potential of making accurate short-term (a few hours) weather predictions, and accurate long-term (2 weeks) weather and climate predictions. Earth resources are being studied through investigations conducted through the Earth Resources Technology Satellite (ERTS) Program. In addition to helping to better understand natural resources systems, the NASA ERTS programs are used for identifying, evaluating, and monitoring animal and plant habitats and distributions, water and vegetation distribution, geological effects on vegetation distribution and surface moisture, and the effect of thermal and particulate pollution on the ecology and environment.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACTIVITIES

Over \$1 billion will be spent to protect and enhance the environment. Emphasis is on programs which will enable man to use and enjoy the outdoor environment through the provision of recreational facilities, parks, and open space, by planning for the conservation and management of wildlife and fishery resources.

[In millions of dollars]

	1973 actual	1974 estimate	1975 estimate
Budget authority.....	993	780	1,060
Outlays.....	820	1,007	1,099

The Federal Government provides grants to State and local governments for protection and enhancement activities. These include funds for acquiring and developing land for recreational purposes, for preserving open space, and for fish and wildlife refuges. Outlays for aid to State and local governments will increase from \$329 million in 1974 to \$341 million in 1975.

The Federal Government also performs direct activities such as acquiring lands for the preservation of nationally unique natural areas and for recreation, supporting sport fisheries and wildlife preservation activities, preserving historic properties, and conducting related functions. Major environmental protection and enhancement activities are:

- city recreation, including federally assisted or direct Federal projects or activities such as historic preservation;
- preservation and management of unique natural areas and endangered species—national parks, monuments, scenic rivers, trails, wildernesses, seashores, and refuges for endangered species;

- provision of noncity general recreation in national recreation areas, recreation programs in national forests, and recreation sites at Federal water projects;
- management of sport fish and wildlife at national wildlife refuges, fish hatcheries, and projects to protect rare and endangered species; and
- historic preservation and rehabilitation, including national historic sites, military parks, and other federally assisted historic preservation and rehabilitation.

Table P-3. ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACTIVITIES (in millions of dollars)

	Budget authority			Outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Financial aid to State and local governments:						
Purchase, development, and operations:						
City recreation.....	95	19	55	69	89	89
Preserve unique natural areas and protect endangered species.....	22	0	0	19	22	22
Noncity general recreation..	140	59	148	84	126	125
Sport fish and wildlife.....	71	79	87	66	73	73
Historic preservation and rehabilitation.....	12	12	20	9	12	16
All other State and local aid.....	2	12	13	1	7	16
Subtotal.....	<u>340</u>	<u>176</u>	<u>323</u>	<u>248</u>	<u>329</u>	<u>341</u>
Direct Federal activities:						
Purchase, development, and operations:						
City recreation.....	52	74	106	46	103	109
Preserve unique natural areas and protect endangered species.....	202	144	158	155	150	160
Noncity general recreation..	190	147	170	172	159	174
Sport fish and wildlife.....	115	123	144	110	127	147
Historic preservation and rehabilitation.....	57	75	110	53	95	119
All other direct Federal activity.....	38	41	48	36	47	48
Subtotal.....	<u>653</u>	<u>605</u>	<u>737</u>	<u>571</u>	<u>678</u>	<u>758</u>
Total.....	<u>993</u>	<u>780</u>	<u>1,060</u>	<u>820</u>	<u>1,007</u>	<u>1,099</u>

Agencies involved.—The *Department of the Interior*, through its Bureau of Land Management, protects and manages over 450 million acres in the Western States and Alaska, representing 20% of America's land base. Legislation proposed by this Administration would establish a national policy that these national resource lands be managed under principles of multiple use and sustained yield in such a way as to protect the quality of the environment.

The Bureau of Outdoor Recreation promotes coordination of outdoor recreation programs, and administers the Land and Water Conservation Fund which provides grants for planning, acquisition, and development of State and local recreation areas and Federal purchases of nationally important lands. Funds to be obligated for these programs in 1975 will total \$300 million, of which \$196 million will be for grants to State and local governments, and \$98 million will be for Federal purchase of parklands.

Table P-4. ENVIRONMENTAL PROTECTION AND ENHANCEMENT ACTIVITIES—BY AGENCY (in millions of dollars)

Agency	Budget authority			Outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Interior.....	737	587	844	581	739	803
Agriculture.....	92	87	92	83	97	96
Defense—Civil.....	60	55	71	61	56	73
Commerce.....	23	37	40	23	31	43
Other agencies.....	81	14	12	72	84	84
Total.....	993	780	1,060	820	1,007	1,099

The Bureau of Sport Fisheries and Wildlife provides assistance to State and local governments for fish and wildlife restoration, management, and research. The Bureau administers 95 hatcheries and 356 units in the National Wildlife Refuge System containing 30.7 million acres. Endangered species are protected on 82 of the national wildlife refuges.

The National Park Service administers 298 areas comprising about 29 million acres located in 47 States, the District of Columbia, Puerto Rico, and the Virgin Islands. These include national parks, monuments, historic sites and other areas which have been established to preserve the Nation's natural and historic heritage.

Public recreation is a major function at many of the Bureau of Reclamation's multipurpose projects.

In the *Department of Commerce*, the National Oceanic and Atmospheric Administration is placing emphasis on improved management of the Nation's coastal zone through federally assisted and coordinated State programs. In 1975, NOAA will continue to provide grants to States for the preparation of their coastal zone management plans and the initial phases of administration of those plans. Other increases in 1975 will provide for administration and enforcement of the Marine Mammal Protection Act of 1972, research on the status of stocks of whales, and research on fur seals. Research on aquaculture, and grants to States for the enhancement and restoration of the marine fishery resources will be continued.

The *Department of Agriculture* carries out a variety of environmental activities, particularly through the Forest Service. The 187 million acres of National Forest lands are managed in accordance with the provisions of the Multiple Use-Sustained Yield Act to provide outdoor recreation, range, timber, watershed, mineral, and wildlife values in

combinations that will best protect resources without impairing the productivity of the land.

The *Department of Defense* (Corps of Engineers) provides facilities for water-based recreation at reservoirs and other public works.

POLLUTION CONTROL AND ABATEMENT ACTIVITIES

The largest portion of environmental expenditures is for cleaning up pollution and stopping further environmental degradation. In outlays, this will be \$5,099 million.

[In millions of dollars]

	1973 actual	1974 estimate	1975 estimate
Budget authority.....	8,521	5,768	11,929
Outlays.....	1,925	3,714	5,263

¹ Contract authority of \$4,000 million for construction grants in 1975 was made available in 1974 as provided by law.

Table P-5 expresses the Nation's funding for pollution control and abatement, by media polluted. Among the media, water receives the greatest share of total Federal pollution control obligations. This large share is a result of grants and loans for construction of municipal waste treatment facilities. Air pollution programs include research and development, grants to State and local air pollution control agencies, and direct Federal operations such as monitoring, standard setting, and enforcement. Activities relating to pollution of land are for research and other studies concerned with the effects of acid mine drainage, nutrients, pesticides, and other substances. Federal pollution control activities relating to radiation, pesticides, solid wastes, and noise are directed toward research relating to effects, control technology, standard setting, and enforcement. Excluded from the funding shown above for pollution control and abatement activities are functions carried on for some other purpose but which contribute to the reduction of pollution. Table P-5 also summarizes the total Federal effort in terms of funding associated with selected pollutants.

Table P-5. POLLUTION CONTROL AND ABATEMENT ACTIVITIES—
BY MEDIA OR POLLUTANT (in millions of dollars)

Media or pollutant	Obligations		
	1973 actual	1974 estimate	1975 estimate
Media polluted:			
Water:			
Construction grants and loans.....	3,299	4,478	5,159
Other.....	431	561	696
Air.....	461	630	701
Land.....	61	62	66
Other (e.g., living things, materials).....	293	279	292
Multimedia (i.e., more than 1 of above).....	131	114	145
Total.....	4,676	6,124	7,059
Selected pollutants: ¹			
Solid wastes.....	150	198	200
Pesticides.....	61	68	71
Radiation.....	181	192	236
Noise.....	66	88	62

¹ Funds for selected pollutants are included in the "media" breakdown above.

Activities involved.—*Financial aid.*—Outlays to construct municipal sewage treatment facilities will rise to \$3.35 billion an increase of \$1.35 billion over 1974. Funds allotted to the States for waste treatment plants from contract authority will increase by \$1 billion to a level of \$4 billion, a 33% increase over 1974 and a 100% increase over 1973 levels. This \$4 billion allotment to the States is reflected in 1974 budget authority, not 1975 budget authority, since it was made available for obligation in 1974. Grants from the allotted funds will cover 75% of the eligible costs of constructing municipal sewage treatment plants. In addition, Federal tax exemptions for industrial revenue bonds for pollution control facilities will contribute to the increased use of such bonds, the level of which rose from \$550 million in 1972 to \$1 billion in the first half of 1974. The Environmental Financing Authority of the Department of the Treasury will assist cities by buying municipal bonds for sewage treatment facilities if they are not purchased in the marketplace.

Table P-6. POLLUTION CONTROL AND ABATEMENT ACTIVITIES BY FUNCTION (in millions of dollars)

Type of activity	Budget authority			Outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Financial aid to State and local governments ¹	7,242	4,362	² 371	908	2,282	3,632
Research and development.....	599	688	735	489	644	719
Federal abatement and control operations.....	217	263	297	215	265	304
Manpower development.....	16	13	11	14	13	12
Reduce pollution from Federal facilities.....	311	270	321	174	344	392
Other pollution control and abatement activities.....	135	171	194	125	166	204
Total	8,521	5,768	1,929	1,925	3,714	5,263

¹ These figures include water and sewer programs of the type funded by FHA and OEO. These figures were not included in previous Analyses.

² Contract authority for the Environmental Protection Agency in 1975 was made available in 1974 as provided by law, and therefore appears in the 1974 column for Budget Authority instead of the 1975 column.

Included in the grant figures are funds made available to State, regional, and local agencies to help support air pollution control programs. Outlays of \$696 million in 1975 will provide financial assistance for implementing the national primary and secondary ambient air quality monitoring systems, emissions inventories, plans for effective enforcement of standards, land use and transportation control regulations, and air pollution emergency plans. Technical assistance is also provided to pollution control agencies for air quality programs.

Research and development.—Spending for research and development activities in the area of pollution control and abatement will increase from \$644 million in 1974 to \$719 million in 1975. These activities include efforts oriented towards determining the sources and effects of pollution, and developing and testing pollution control technologies.

The major research emphasis will be on the refinement and application of current abatement technologies, the study of human health and ecological effects, the economic costs and benefits of alternative standards and regulatory approaches and research on low emission fuel efficient automobiles.

Water quality research will emphasize development of criteria for protection of marine and fresh water fish and other aquatic life. Research in control technology and improving water quality in the Great Lakes will be continued.

Air quality research and development efforts will concentrate on pollution effects through field investigations, regional air pollution models, and epidemiological and toxicological studies of the effects of pollutants on man and animals. Ongoing demonstrations of stack gas treatment technology will be completed and efforts will be directed to long-term technologies relative to clean fuel development.

Abatement of pollution from Federal facilities.—Federal agencies are involved in a range of activities to control pollution from their facilities. Among them are construction or modification of waste treatment plants, stack gas cleaning for air pollution control, and cooperative projects with States and communities for solid or liquid waste disposal. Outlays for these activities will be \$392 million in 1975.

Other abatement and control activities.—Outlays will increase by \$39 million in 1975 for Federal abatement and control operations. Funding for manpower development activities will decline at the Federal level.

Agencies involved.—The *Environmental Protection Agency* conducts and administers the major pollution control and abatement activities of the Federal government. Such outlays for EPA will increase from \$2,559 million in 1974 to \$3,991 million in 1975. The greatest single category of Federal spending for pollution control and abatement is for grants for constructing or improving municipally owned waste treatment plants.

Grants are also made for the development of basin, metropolitan, and/or regional water quality management plans. Grants to State and interstate agencies help establish and maintain programs of enforcement, monitoring, analysis of water quality, and review and appraisal of municipal wastewater construction project. Similar grants are also made to State and local agencies to help support their air pollution control programs, including the implementation of plans to achieve and maintain national ambient air quality standards.

Research and development accounts for \$178 million of EPA's budget. This will be allocated for studying the processes and effects of pollutants, including the health effects of pollutants, their ecological and other nonhealth effects, the movement and transformation of pollutants in the environment, and the measurement of pollution problems and research on low emission fuel efficient automobiles.

EPA's abatement and control activities range across the total spectrum of environmental problems—monitoring, establishment and enforcement of standards, issuing of permits, and providing technical assistance regarding air, water, solid waste, noise, hazardous materials, and pesticides pollution.

Table P-7. POLLUTION CONTROL AND ABATEMENT ACTIVITIES—
BY AGENCY (in millions of dollars)

	Budget authority			Outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Environmental Protection						
Agency.....	7,427	4,629	1,695	1,113	2,559	3,991
Defense—Military.....	291	294	343	143	249	319
Atomic Energy Commission...	186	202	236	174	194	231
Transportation.....	90	100	113	51	70	84
Agriculture ²	142	128	120	121	174	142
Defense—Civil.....	13	10	12	13	10	12
Interior.....	114	168	176	97	151	157
Commerce ²	150	115	100	102	92	83
National Aeronautics and Space Administration.....	61	76	80	34	65	79
National Science Foundation...	15	17	19	14	15	17
Other agencies.....	32	29	35	63	135	148
Total.....	8,521	5,768	1,929	1,925	3,714	5,263

¹ Contract authority for the Environmental Protection Agency in 1975 was made available in 1974 as provided by law.

² Figures include expenditures for water and sewer programs. These figures were not included in previous Analyses.

The *Department of the Interior's* Bureau of Mines conducts research and development into ways to prevent and abate pollution from mining and is attempting to develop improved methods of removing pollutants from mineral processing plants, and for recovering the valuable constituents in mineral processing wastes. It will increase research to develop methods of converting coal to fuel gas with less pollution.

The *Atomic Energy Commission's* environmental research, monitoring, and surveillance activities provide data to assure that nuclear operations are conducted according to procedures which minimize or eliminate harmful effects on the environment. These activities also enable the AEC to carry out its responsibilities for regulating the use of radioactive materials, including licensing of nuclear power plants, and assist the Commission in developing guidelines and policies related to all Federal agencies.

Most of the environmental program is directed toward the siting problems of nuclear plants in fulfillment of the requirements of the National Environmental Policy Act. Increased emphasis is being placed on offshore plant siting and regional studies.

The *Department of Defense* will expand its research program to reduce pollution from its industrial production, military, and other facilities. The Corps of Engineers administers a permit program under the Federal Water Pollution Control Act which makes it illegal to discharge dredged or fill material into a navigable water without a permit. The Corps will continue to prepare studies regarding implementation of regional water quality management plans.

The *National Aeronautics and Space Administration* conducts a continuing research and development program to reduce aircraft noise and pollution. NASA is undertaking a major new thrust to develop spacecraft with the capability of detecting and monitoring atmospheric pollution.

The *Department of Commerce* conducts a number of pollution control and abatement activities. Its Economic Development Administration and the Regional Action Planning Commissions provide grants and loans for the construction of water and waste treatment facilities and water and sewer lines where these items are needed to foster economic development. Technical assistance is also provided to solve pollution control and abatement problems. The National Oceanic and Atmospheric Administration will install equipment to further control water pollution resulting from its ship operations. The National Bureau of Standards is engaging in research and development for reference standards and measurement systems for air, water, radiation, and noise pollution.

The *Department of Transportation's* major program is in the area of noise pollution control. The objectives of the noise abatement program are to develop quieter diesel engines, jet exhaust noise suppression systems, and to assist State and local regulatory and planning bodies in transportation noise reduction. The Federal Highway Administration will study techniques to decrease the impact of highway noise, and to control erosion from highway construction. The Federal Aviation Administration will continue its program to develop quiet aircraft engines. It will also investigate sonic booms, and development of design guidelines for airports so they fit in with neighboring land use. The Urban Mass Transportation Administration will continue programs to demonstrate advanced bus and rail technology to reduce pollution and to conserve energy.

The *Department of Agriculture* conducts research on agriculturally related pollution such as pesticides, animal and crop processing wastes, fertilizer, and plant nutrients. The Cooperative State Research Service and the Extension Service develop methods to reduce pollution from the production and processing of agricultural products. The Forest Service investigates and applies methods of controlling sediment pollution. The Animal and Plant Health Inspection Service conducts programs to reduce the amount of pesticides used to control pests. The Farmers Home Administration makes loans to local organizations to provide for the collection of sewage, and to provide for the collection and disposal of human, animal, agricultural, and other wastes in rural areas.

Environmental research and development activities.—Funding for research and development programs which have been described in this Analysis have been excerpted and are summarized in table P-8.

Table P-8. ENVIRONMENTAL RESEARCH AND DEVELOPMENT
ACTIVITIES (in millions of dollars)

Category	Budget authority			Outlays		
	1973 actual	1974 estimate	1975 estimate	1973 actual	1974 estimate	1975 estimate
Pollution control and abatement	599	688	735	489	644	719
Understanding, describing, and predicting	462	463	488	426	455	485
Total	1,061	1,151	1,223	915	1,099	1,204

¹ This figure will increase by approximately \$300 million for environmental control technology and to study the environmental effects of alternative energy sources.

OTHER ACTIVITIES

The meaning of the term "environment" is still subject to widely varying definitions. This special analysis of Federal funding for environmental activities has been limited to selected areas. However, the government conducts a wide range of programs to attack problems of the total environment. Among the areas of federally funded activities with significant environmental aspects which are not included in this analysis are:

- Mass transit—the Department of Transportation will assist in the purchase of buses to be used in cities with serious air pollution problems. These will be available in the near term as an alternative to the automobile. DOT will also invest in rapid rail systems.
- Indoor environment—the Occupational Health and Safety Administration of the Department of Labor is concerned with the health of the indoor work environment, as is the Mining Enforcement and Safety Administration in the Department of the Interior. Technical support is provided by the Department of Health, Education, and Welfare's National Institute for Occupational Safety and Health.
- International environmental cooperation—The Department of State contributes to the United Nations Environment Fund for the support and coordination of international environmental activities, and, with the Council on Environmental Quality, has been active in working on a number of international environmental treaties such as the International Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter.
- Urban environment—the Center for Disease Control within the Department of Health, Education, and Welfare is attacking problems associated with urban blight, such as rat control and the control of childhood lead-based paint poisoning. The National Historic Preservation Trust provides for the restoration and maintenance of individual building of historic interest.

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- Pesticides—the Food and Drug Administration of the Department of Health, Education, and Welfare analyzes foods to detect the presence of pesticide residues. The Bureau of Sport Fisheries and Wildlife in the Department of the Interior does the same with fish to make sure that they do not contain unacceptable levels of toxics. The Occupational Safety and Health Administration and the Environmental Protection Agency regulate field reentry standards for those who work in fields which use pesticides. The Department of Agriculture, the Environmental Protection Agency, and the National Science Foundation research alternative ways to control pests with reduced reliance on chemical pesticides.



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