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FEDERAL SUBSIDY PROGRAMS

A STAFF STUDY

PREPARED FOR THE USE OF THE

SUBCOMMITTEE ON PRIORITIES AND ECONOMY IN GOVERNMENT

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

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LETTERS OF TRANSMITTAL

OCTOBER 18, 1974.

To the Members of the Joint Economic Committee:

Transmitted herewith for the use of the Joint Economic Committee and other Members of Congress is a staff study entitled "Federal Subsidy Programs."

This study identifies and presents current estimates of the costs of Federal subsidy programs. It brings up to date information presented in a staff study, "The Economics of Federal Subsidy Programs," published in 1972.

The views expressed in this document do not necessarily represent the views of the members of the committee or of the committee staff.

WRIGHT PATMAN, *Chairman,*
Joint Economic Committee.

OCTOBER 15, 1974.

Hon. WRIGHT PATMAN,
Chairman, Joint Economic Committee,
Congress of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: Transmitted herewith is a staff study entitled "Federal Subsidy Programs." This study presents up to date cost estimates of Federal subsidy programs. It builds on work which the Joint Economic Committee began in 1960 and has updated periodically, the most recent being a 1972 staff study, "The Economics of Federal Subsidy Programs." It identifies new programs which have been added and it includes information on formula grants not readily available elsewhere. This study forms a part of the continuing examination of public expenditure policy conducted by the Subcommittee on Priorities and Economy in Government.

The views expressed in this document do not necessarily represent the views of the members of the committee or of the committee staff.

WILLIAM PROXMIRE,
Chairman, Subcommittee on
Priorities and Economy in Government.

OCTOBER 10, 1974.

Hon. WILLIAM PROXMIRE,
Chairman, Subcommittee on Priorities and Economy in Government,
Congress of the United States, Washington, D.C.

DEAR SENATOR PROXMIRE: Transmitted herewith is a staff study entitled "Federal Subsidy Programs." It examines the changes in subsidy programs which have occurred since the 1972 staff study "The Economics of Federal Subsidy Programs," it presents current

estimates of the cost of these programs and it summarizes some of the findings of the special subsidy studies that have been presented to the Committee during the past 2 years.

The study was prepared by Mr. Douglas Lee of the committee staff with the assistance of Mary McElroy and John Halebian. Administrative and secretarial work was done by Beverly Park. The special assistance provided by Tax Analysts and Advocates in estimating the cost of tax subsidies and by the Office of Management and Budget in estimating the cost of credit subsidies is greatly appreciated. The special computer runs of the "1974 Catalog of Federal Domestic Assistance" provided prior to its publication by the OMB staff were invaluable in preparing this study and are especially appreciated.

JOHN R. STARK,
Executive Director,
Joint Economic Committee.

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INTRODUCTION

In January 1972 the staff of the Joint Economic Committee published the first comprehensive study of the economics of Federal subsidy programs. This study estimated that the cost for fiscal year 1970 of the major subsidies was approximately $63 billion. In fiscal year 1975 the major subsidies are estimated to cost $95 billion.

Both the theoretical discussion and the cost estimates presented in the 1972 study have proved very helpful to congressional users and private economists. The definition of a subsidy proposed in that study has been largely accepted by the economics profession as a conceptually correct and workable standard for economic analysis.

The present study summarizes some of the findings of special studies made for the Joint Economic Committee, brings up to date the cost estimates that were presented in the earlier study, and presents some additional information on credit subsidies. In a few cases better and more complete information allows more accurate estimates to be made, but in many others information has been aggregated in such a fashion that it is impossible to accurately estimate the cost of an individual program. Unfortunately there has been no information developed which would allow a comprehensive examination of the purchase and regulatory subsidies.

By way of review, a subsidy is defined as the provision of Federal economic assistance, at the expense of others in the economy, to the private sector producers or consumers of a particular good, service or factor of production. The Government alters the price or cost of the good, service, or factor as a quid pro quo for certain economic behavior by the recipient, either in the form of inducing the performance of economic activity or the forebearance of it. The assistance may take the form of:

(*a*) Explicit cash payments;

(*b*) Implicit payments through a reduction of a specific tax liability;

(*c*) Implicit payments by means of loans at interest rates below the Government borrowing rate or from loan guarantees;

(*d*) Implicit payments through provisions of goods and services at prices or fees below market value;

(*e*) Implicit payments through Government purchases of goods and services above market price; and

(*f*) Implicit payments through certain Government regulatory actions that alter particular market prices.

Over the past 2 years the Joint Economic Committee has published approximately 40 special studies, many of which examine particular subsidy programs. Three standards have been used to determine the relative merits of an indivudual subsidy program. They are:

(1) Does the subsidy correct a market deficiency?

(2) Is the subsidy efficient in terms of the costs required to obtain the desired benefits?

(3) Does the subsidy distribute its benefits to low, middle, and high income beneficiaries in a pattern that is acceptable to society?

If some or all of these questions can be answered affirmatively then a strong case can be made for retaining the subsidy. However, most of the studies submitted to this Committee found that these standards were not met.[1]

Several studies addressed the first question: Does the subsidy correct a market deficiency? For example, Gerard Brannon examined the 7 percent investment tax credit to determine its usefulness in reducing high unemployment rates.[2] He estimated that the tax credit would reduce unemployment by 0.1 percent in one year and 0.3 percent over a 2½ year period. He therefore concluded that the investment tax credit does not correct the market deficiency of high unemployment rates as its proponents originally argued, although it may address other market deficiencies. In another study Martin David and Roger Miller examined the favorable treatment of capital gains by our tax laws.[3] This provision supposedly prevents unfair taxation because of widely fluctuating capital gains income from year to year, and it protects persons from being "locked-in" to a particular portfolio. David and Miller argue that over a long period of time the variability of capital gains relative to adjusted gross income is quite small, and the capital gains realizations do not appear to decline in frequency or amount among taxpayers of increasing age. Their conclusion is that the market deficiency the capital gains subsidy is intended to correct really does not exist.

A study by Gerald Jantscher examined the maritime subsidies.[4] This subsidy was originally supposed to correct problems that would result from the lack of a U.S. domestic fleet. Over time the justification for continuing the subsidy has shifted to some extent to emphasis on enhancing our national defense. Jantscher argues that the case for a national defense contribution is very poor. He concludes that while maritime subsidies may have been intended to correct a market deficiency at one time, by 1972 this was no longer true.

Some of the studies were primarily addressed to the second question: Is the subsidy efficient? Edward Erickson and Stephen Millsaps examined the tax incentives for petroleum exploration to see whether they significantly increased our petroleum reserves.[5] They found that an annual cost to the U.S. Treasury of $1.4 billion generated only $150 million in additional petroleum reserves. Their conclusion states that "the concensus of professional economic opinion is relatively certain that the special tax provisions (for petroleum) result in an inefficient allocation of resources, a smaller national income, and questionable income distribution effects." [5] A study by William Tye looked at the efficiency of the capital grant subsidy for urban mass transportation.[6] He estimated that over the long run, 22 percent of the Federal

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[1] A more complete summary of these findings and additional discussion may be found in Jerry J. Jasinowski, "The Case for Subsidy Reform," a paper presented to a Joint Session of the Association for the Study of the Grants Economy and The American Economic Association, December 30, 1972, mimeographed.

[2] Gerard Brannon, "The Effects of Tax Incentives for Business Investment: A Survey of the Economic Evidence" in *The Economics of Federal Subsidy Programs, Part 3—Tax Subsidies*, a compendium of papers Submitted to the Joint Economic Committee, July 15, 1972.

[3] Martin David and Roger Miller, "The Lifetime Distribution of Realized Capital Gains" in *The Economics of Federal Subsidy Programs, Part 3—Tax Subsidies*, a compendium of papers submitted to the Joint Economic Committee, July 15, 1972.

[4] Gerald R. Jantscher, "Federal Aids to the Maritime Industries," in *The Economics of Federal Subsidy Programs, Part 6—Transportation Subsidies*, a compendium of papers submitted to the Joint Economic Committee, February 26, 1973.

[5] Edward W. Erickson and Stephen W. Millsaps, "Taxes, Goods, and Efficiency: Petroleum and Defense" in *The Economics of Federal Subsidy Programs, Part 3—Tax Subsidies*, a compendium of papers submitted to the Joint Economic Committee, July 15, 1972.

[6] William B. Tye, "The Capital Grant as a Subsidy Device: The Case Study of Urban Mass Transportation" in *The Economics of Federal Subsidy Programs, Part 6—Transportation Subsidies*," A compendium of papers submitted to the Joint Economic Committee, February 26, 1973.

subsidy is wasted because cities are encouraged to replace buses before they wear out.

The third standard for measuring the merits of a subsidy program relates to its distributional effect: Does the subsidy distribute its benefits to different income groups in a manner that society finds acceptable? Joseph Pechman and Benjamin Okner examined the overall distributional effects of the personal income tax.[7] They found that families with incomes below $5,000 a year receive about 1.4 percent of all personal tax benefits, families with incomes between $5,000 and $10,000 per year receive about 8.5 percent of all tax benefits, and familites whose income exceeds $50,000 per year receive about 24 percent of the tax benefits. A similar distributional analysis of major Federal housing subsidies was prepared by Henry Aaron.[8] He concluded that when housing tax subsidies are considered along with the direct housing programs for low income people, the total effect is to provide more direct assistance to middle and upper income households than to low income households. He also states: "Moreover, all housing programs intended for low and lower middle income households provide large amounts of help to a small fraction of eligible households and no direct help at all to all the rest."[8]

Although the studies mentioned above are only a small sample, they are representative of the general findings of the papers submitted to the Joint Economic Committee. *On the whole, these studies showed that many subsidies do not work well economically, they are often directed at outmoded or non-existent objectives, they redistribute income to the affluent, and in too many cases their costs far exceed their benefits to society as a whole. These studies make a very strong case for major subsidy reform.*

Apart from judging a subsidy by the three criteria discussed above, several studies have indicated that Federal subsidies can cause inflation. For example, Buy American policies have been justified on the grounds that they aid domestic producers, create jobs, and improve the U.S. balance of trade. A study by David Richardson concluded that "decreased purchases of imports and increased purchases of domestic goods by the Government sector tends to lower import prices and raise domestic prices, leading the private sector to substitute away from domestic suppliers and toward imports."[9] Another study by George Hilton examined the subsidy that results from the Interstate Commerce Commission's regulation of transportation.[10] He considers $4.8 billion to be a conservative estimate of the annual loss to the economy caused by the ICC's cartelization of the transportation industry. This loss must be reflected in higher prices for all goods which move in interstate commerce.

The Joint Economic Committee has recently recommended the establishment of a commission, appointed jointly by Congress and the President, to recommend comprehensive legislation to eliminate both

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[7] Joseph Pechman and Benjamin Okner, "Individual Income Tax Evasion by Income Class," *The Economics of Federal Subsidy Programs, Part 1—General Study Papers,* A compendium of papers submitted to the Joint Economic Committee, May 8, 1972.

[8] Henry Aaron, "Federal Housing Subsidies," *The Economics of Federal Subsidy Programs, Part 5—Housing Subsidies,* a compendium of papers submitted to the Joint Economic Committee, October 9, 1972.

[9] J. David Richardson, "The Subsidy Aspects of 'Buy American' Policy in Government Purchasing," in *The Economics of Federal Subsidy Programs, Part 2—International Subsidies,* a compendium of papers submitted to the Joint Economic Committee, June 11, 1972.

[10] George W. Hilton, "The Costs to the Economy of the Interstate Commerce Commission," *The Economics of Federal Subsidy Programs, Part 6—Transportation Subsidies,* a compendium of papers submitted to the Subcommittee on Priorities and Economy in Government of the Joint Economic Committee, February 26, 1973.

governmental and private barriers to an efficient market economy. *The studies made for this Committee have documented very clearly ways in which government subsidies prevent efficient market operations and increase prices. This commission should carefully consider Federal subsidy programs along with other government barriers to efficient trade.*

When the JEC staff first tried to estimate the cost of subsidy programs, we were surprised to find that the Federal Government directly influences microeconomic activity to such a large extent. The $63 billion estimate we prepared was very conservative and did not attempt to measure the cost of regulatory activity which is probably the most significant Federal intervention at the microeconomic level. Although the present study has not expanded the scope of our original estimates, it shows how the government's influence has continued and in some areas has increased. In this five year period, both total subsidy costs and the overall economy are estimated to grow about 55 percent.

An examination of the aggregate figures alone is insufficient because it hides the trends in different types of subsidy expenditures. Direct cash payments, for example, have grown relatively little from about $11.6 billion in 1970 to about $12.3 billion in 1975. Some of these subsidies, particularly those for agriculture, have declined significantly. Tax subsidies, however, have increased about $20 billion in this five-year period, to a total of $60 billion. Benefit-in-kind subsidies have mushroomed 130 percent so that in 1975 they are estimated to cost $20 billion.

An important conclusion emerges if changes in subsidy costs are related to the Federal budget process. The largest percentage increases have occurred in programs such as Food Stamps, Medicare, and Medicaid. These programs are considered uncontrollable in the budget because any person who meets certain qualifications is entitled to receive the benefits. In order for the government to reduce spending in this area it must reduce the level of benefits available to everyone or change the qualifications so that fewer people are eligible. The largest absolute increase has occurred in tax subsidies. Tax expenditures are not included in any budget and therefore they are not reviewed on a systematic and regular basis.[11] Credit subsidies declined from $4 billion in 1970 to about $3.0 billion in 1975 due primarily to a $1.8 billion reduction projected for housing subsidies.[12] Other agencies such as the Export-Import Bank, the Rural Electrification Administration and the Rural Telephone Bank which have increased their subsidies significantly, have been explicitely removed from the U.S. Budget. After it was excluded from the annual scrutiny that is part of the budget process, Export-Import Bank's new loan commitments increased more than five times. An unavoidable conclusion emerges from this analysis: *Over a 5-year period, most programs that are included in the regular budgetary review process increase relatively little and there are some important declines. The programs that are considered uncontrollable in the budget and the programs that are not included in the regular budget review at all show major increases.* The following summary table shows these major trends.

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[11] Recently enacted legislation will require the inclusion of these estimates in the budget submitted in fiscal year 1977 and the following year.

[12] As fiscal year 1975 progresses, the planned reduction in housing subsidies seems less likely. Therefore this estimate may be revised substantially.

SUMMARY OF FEDERAL SUBSIDY COSTS

[In billions of dollars]

	Direct cash subsidies		Tax subsidies		Credit subsidies		Benefit-in-kind subsidies		Total order of magnitude[1]	
	1970	1975	1970	1975	1970	1975	1970	1975	1970	1975
Agriculture	4.4	0.6	0.9	1.1	0.4	0.7	----	----	5.7	2.5
Food	----	----	----	----	----	----	1.5	5.9	1.5	5.9
Health	.8	.6	3.2	5.8	----	----	4.6	10.2	8.6	16.6
Manpower	2.0	3.3	.6	.7	----	----	.1	.1	2.6	4.1
Education	1.9	5.0	.8	1.0	.1	.1	.4	.4	3.2	6.5
International	.1	----	.3	1.5	.6	.9	----	----	1.0	2.4
Housing	.1	1.7	8.7	12.9	3.0	1.1	----	----	11.7	15.7
Natural resources	.1	.1	2.0	4.1	----	----	.1	.1	2.1	4.4
Transportation	.3	.6	----	.1	----	----	.2	1.7	.5	2.3
Commerce	2.0	.3	14.1	19.3	.1	----	1.8	1.9	18.0	21.5
Other	----	----	9.4	13.1	.1	.1	----	----	9.5	13.2
Total order of magnitude[1]	11.6	12.3	39.9	59.7	4.1	2.9	8.8	20.2	64.4	95.1

[1] Individual items may not add to totals due to rounding error.

ESTIMATES OF SUBSIDY COSTS [1]

A. Direct Cash Payments

This form of a subsidy is simply a cash payment from the Government to a private sector firm or individual that has engaged in a market activity as specified by the subsidy law. This includes such things as payments to produce certain crops, attend school, and build houses.

Table 1 lists the major cash payment subsidies and estimates their gross budgetary costs for fiscal years 1970–75. The figures presented are obligations and were taken from various issues of the "Catalog of Federal Domestic Assistance" and "The Budget of the United States Government" including the "Appendix" and the "Special Analyses." The data presented was the most recent available as of June 1974.

B. Tax Subsidies

A tax subsidy is a special provision in the law which allows an individual or a firm that engages in a specific market activity to make a smaller tax payment to the Government than he would have otherwise made. The estimates presented here are an attempt to measure the amount that the Government loses by allowing this smaller payment.

Table 2 lists the major tax subsidies and estimates the loss to the Government. The estimates for fiscal years 1970–73 were prepared by the staffs of the Treasury Department and the Joint Committee on Internal Revenue Taxation. Those for fiscal years 1974–75 were prepared by the Tax Analysts and Advocates.

TABLE 1.—GROSS BUDGETARY COSTS OF MAJOR FEDERAL DIRECT CASH PAYMENT SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Agriculture:						
Commodity purchase	688	735	845	625	280	320
Cotton production stabilization	828	917	824	813	715	79
Feed grain production stabilization	1,644	1,504	1,053	1,846	1,171	25
Sugar production stabilization	93	84	88	89	89	92
Wheat production stabilization	863	874	878	863	477	75
National Wool Act	53	72	113	68	0	(1)
Dairy and Beekeeper Indemnity	0	0	5	6	3	2
Agricultural conservation program (REAP)	185	150	196	29	90	0
Cropland adjustment program	77	78	67	52	50	49
Medical Care:						
National Institutes of Health training programs	149	150	7	9	7	5
Mental health fellowships and grants	118	116	115	74	126	64
Health manpower training	202	182	266	290	306	237
Community nursing home care	20	19	24	28	46	52
Health manpower education innitiative award	0	0	0	42	47	35
Health professions grants	0	0	47	83	64	47
Construction of State nursing homes	2	4	1	5	8	9
Health facilities construction (Hill-Burton)	201	90	187	159	251	189
Health professions facilities construction	146	125	0	0	0	0

See footnotes at end of table, p. 9.

[1] A more complete discussion of each of the forms of subsidy payments is found in *The Economics of Federal Subsidy Programs—A Staff Study,* Joint Economic Committee, January 11. 1972.

TABLE 1.—GROSS BUDGETARY COSTS OF MAJOR FEDERAL DIRECT CASH PAYMENT SUBSIDIES—Continued

[in millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Manpower:						
Rehabilitation services and facilities	436	502	560	589	630	670
Apprenticeship Outreach	5	7	12	4	9	9
Job opportunities in the business sector	173	169	97	73	63	90
Operation Mainstream	51	72	21	23	20	20
Work incentive program	86	71	184	209	250	190
On the job training	14	20	21	16	14	14
Migrant workers	0	3	13	8	45	53
Manpower revenue sharing	0	0	0	1,357	1,889	2,008
Air pollution training grants	3	3	8	2	2	1
Vocational rehabilitation for disabled veterans	42	59	65	72	71	75
Public assistance—State and local training	32	44	33	36	42	33
Concentrated employment program	187	167	173	(2)	(2)	(2)
Cooperative area manpower planning system	6	7	11	(2)	(2)	(2)
Manpower development training	308	332	324	(2)	(2)	(2)
Neighborhood Youth Corps	353	426	362	(2)	(2)	(2)
Public service careers	87	92	5	5	2	(2)
Job Corps	170	160	200	193	150	171
Education:						
Work study programs	159	205	243	281	278	250
Veterans education	939	1,521	1,812	2,538	3,053	2,657
Education and training fellowships	354	321	236	244	234	205
Promotion of the arts	16	17	31	38	46	61
Promotion of the humanities	5	6	10	9	15	24
College library resources	10	10	11	12	10	0
Supplemental educational opportunity grants	165	165	178	210	210	0
Higher education—Strengthening development institutions	30	34	52	87	100	120
Special services for disadvantaged students	10	15	15	23	23	23
Indian education	4	6	15	21	23	30
Institutional grants for science	15	15	12	8	6	(3)
Howard University	33	39	88	54	68	90
Sea grant support	0	13	17	19	19	23
Dependents educational assistance	52	71	68	100	110	123
Teacher Corps—Operating and training	27	31	37	38	38	38
Higher education—Cooperative	2	2	2	11	11	11
Basic educational opportunity grants	0	0	0	122	475	1,300
State administrative expenses	3	3	3	3	2	(3)
Higher education instructional equipment	0	7	0	0	0	0
Academic facilities construction	40	41	0	0	0	0
Foreign language and area studies	7	4	0	0	0	0
Land-grant colleges and universities	15	13	13	19	12	(3)
International:						
Export payments	101	176	117	359	28	0
Export payments of agricultural products	5	4	0	0	0	0
Housing:						
Public housing assistance	0	626	889	1,102	1,263	1,473
Rent supplements for low-income families	21	45	78	108	146	192
Rural self-help housing technical assistance	0	2	2	4	4	0
Housing rehabilitation grants	22	47	45	30	33	30
Farm labor housing grants	2	0	0	0	0	0
Special housing for disabled veterans	8	8	7	13	11	11
Natural resources:						
Great Plains conservation	15	11	13	13	12	(4)
Emergency conservation measures	16	16	12	18	23	(4)
Water bank program	0	0	0	8	9	(4)
Youth Conservation Corps—Grants to States	0	1	3	0	3	2
Rural environmental program	0	0	0	0	0	119
Conservation reserve program	36	0	(5)			
Transportation:						
Air carrier payments	38	63	67	66	74	73
Operating differential subsidies	194	252	182	224	219	220
Construction differential subsidies	68	171	279	436	305	281

See footnotes at end of table, p. 9.

TABLE 1.—GROSS BUDGETARY COSTS OF MAJOR FEDERAL DIRECT CASH PAYMENT SUBSIDIES—Continued

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Commerce and economic development:						
Economic development—Grants for public works and development facilities	174	160	142	215	130	132
Economic development—Planning assistance	6	6	7	12	8	0
Economic development—Technical assistance	12	12	12	17	18	4
Economic development—Public works impact projects	0	0	48	66	41	0
Industrial development grants	0	0	0	0	10	10
Appalachian regional development	55	58	72	69	35	73
Regional economic development	17	19	21	19	7	10
Community Action	365	384	382	397	243	87
Model Cities	308	513	581	644	75	0
Urban renewal and neighborhood development	1,029	927	312	0	0	0
Total order of magnitude [6]	11,596	13,272	12,915	15,322	14,345	12,282

[1] Undetermined.
[2] Included in manpower revenue sharing.
[3] Unavailable.
[4] Proposed for Inclusion in the rural environmental program.
[5] Terminated.
[6] Individual items may not add to totals due to rounding error.

TABLE 2.—GROSS BUDGETARY COST OF MAJOR FEDERAL TAX SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	[1] 1974	[1] 1975
Agriculture:						
Expensing and capital gains for farming	880	820	840	900	1,200	1,100
Medical care:						
Deductibility of medical expense	1,700	1,700	1,900	1,900	2,100	2,300
Medical insurance premium and medical care	1,450	1,450	2,000	2,500	3,000	3,500
Manpower:						
Exclusion of military benefits and allowances	550	500	650	[2] 700	700	700
Education:						
Additional exemption for students	525	500	500	640	675	710
Contributions to educational institutions	200	200	275	275	300	330
Exclusion of scholarships and fellowships	60	60	110	125	140	([3])
International trade:						
Western Hemisphere Trade Corps	55	50	75	50	75	100
Exclusion of gross-up on dividends of less developed country corp	55	55	55	60	70	80
Deferral of foreign subsidiary income	170	165	165	325	350	375
Exclusion of income earned in U.S. possessions	10	10	10	10	10	10
Exemption of income earned abroad by U.S. citizens	45	40	50	50	50	60
Deferral of income of domestic international sales corporations	0	0	0	[4] 250	[4] 490	[4] 920
Housing:						
Deductibility of interest on owner-occupied homes	2,600	2,800	2,400	3,500	4,000	4,500
Deductibility of property taxes on owner-occupied homes	2,800	2,900	2,700	3,250	3,500	3,800
Excess depreciation on rental housing	275	255	500	600	([3])	600
Rehabilitation of low-income housing	0	0	25	40	50	[1] 65
Failure to tax imputed net rent on owner occupied housing	([3])	([3])	[5] 3,600	[5] 3,500	([3])	[5] 3,900
National resources:						
Capital gains treatment for cutting timber	140	130	175	175	240	260
Expensing mineral exploration and development	340	325	325	[2 6] 650	([3])	[6] 860
Excess of percentage over cost depletion	1,470	980	985	[2] 1,700	([3])	2,960
Pollution control amortization	15	15	15	25	35	40
Capital gains treatment on coal and iron royalties	5	5	5	5	5	5

See footnotes at end of table, p. 10.

TABLE 2.—GROSS BUDGETARY COST OF MAJOR FEDERAL TAX SUBSIDIES—Continued

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	[1] 1974	[1] 1975
Transportation:						
Deferral of tax on shipping companies	10	10	10	30	40	40
Rail freight car amortization [7]	0	105	45	[2] 80	40	[8] 10
Commerce and economic development:						
Individual dividend exclusion	290	280	300	300	325	340
Excess depreciation on buildings [9]	550	500	480	500	530	600
Investment credit	2,630	910	1,800	3,800	4,300	4,900
Corporation capital gains [10]	525	425	380	400	380	390
Individual capital gains [10]	([3])	[11] 5,500	5,600	7,000	5,500	6,500
Excess bad debt reserves of financial institutions	680	380	400	400	380	360
Exemption of credit unions	45	40	40	[2] 90	100	110
Expensing of research and development expenditures.	565	540	545	570	580	650
Corporate surtax exemption	2,300	2,000	2,300	2,500	3,100	([3])
Exclusion of interest on life insurance savings	1,050	1,050	1,100	1,200	1,300	1,450
Accelerated depreciation range (ADR)	0	0	700	[2] 860	1,250	1,500
Other:						
Deductibility of charitable contributions [12]	3,450	3,550	3,200	3,100	3,400	3,700
Exemption of interest on State and local debt	2,200	2,300	2,600	[2] 2,900	3,300	3,700
Exclusion of premiums on group life insurance	440	440	500	550	600	650
Net exclusion of pension contributions for employees.	3,150	3,075	3,650	4,000	4,400	4,800
Deduction of self-employed pension contributions.	160	175	250	200	200	200
Total order of magnitude [13]	39,890	37,740	41,310	49,710	53,165	59,715

[1] Except where noted, all estimates were prepared by Tax Analysts and Advocates (TA/A). Estimates for 1974 assume a $1,287,000,000,000 GNP. Real GNP, in 1958 dollars, was estimated at $837,000,000,000.

[2] Changes in the 1973 figures as compared to 1972 which are due wholly or in part to revised data and/or new sources of data and/or improved estimating methods.

[3] Figures unavailable.

[4] Estimates provided by the Office of Tax Analysis, U.S. Treasury.

[5] Estimates prepared by TA/A based on estimates of net rent contained in the NIA as the amounts which would be added to gross income. An alternative estimate published in Henry Aaron's study, "Income Taxes and Housing," the American Economic Review, December 1970, p. 793, is that this provision costs $4,000,000,000 per year.

[6] Estimates for years 1972–75 consider this tax subsidy in isolation rather than in conjunction with percentage depletion as has deen done for 1970–71, therefore direct comparisions are not proper.

[7] This item is being superseded by use of the investment credit.

[8] Equipment placed in service and rehabilitation outlays in the latter half of fiscal year 1975 are not eligible for such accelerated depreciation.

[9] Does not include housing.

[10] Does not include farming and timber which are listed separately.

[11] This estimate is taken from the "Annual Report of the Secretary of the Treasury," fiscal year 1968, p. 333. That report estimates the revenue loss for fiscal year 1968 to be in the range of $5,500,000,000 to $8,000,000,000.

[12] Does not include education.

[13] The estimate of each tax subsidy has been made independently of any other tax item. If 2 or more items were eliminated simultaneously, the resulting revenue change might be larger or smaller than the sum of the amounts shown for individual items. Therefore this total is not intended to be exact, but only to give an estimated order of magnitude.

Note: Standard estimating practice is to regard the differences between calendar years and the following fiscal years as not major, except in special cases. Therefore calendar year estimates may be taken as approximations of fiscal year figures. This change has been made so that data on tax subsidies can be compared to data on other forms of subsidy.

C. Credit Subsidies

A credit subsidy may exist whenever the Government enters a loan transaction to lower the rate of interest below what the borrower would otherwise pay. This type subsidy is more complicated than others because it can take several forms, and it may or may not involve a cost to the Government.

The subsidy may be a simple cash payment to offset part of the interest cost of the loan. An example of this would be an educational loan to students with the Government paying the interest charges while the student remains in school.

Another type of credit subsidy is a direct loan from the Government at an interest rate below what the borrower would pay in the private credit market. When the loan is made at an interest rate below that which the Government must pay to borrow money, there is clearly a cost to the Government. However, sometimes loans are made at an interest rate that is equal to or above the rate paid by the Government. In this case the loan may cost the Government nothing and may even return a profit, but if the borrower would have had to pay more in the private credit market he still receives substantial benefits. The only way this activity might add to governmental costs would be if the Government's additional demands on the credit markets raised the interest rate on all Government borrowings. That estimate is not attempted in the present study.

A third type of credit subsidy involves a governmental guarantee or insurance of a private loan. If the loan is repaid, the Government's cost is zero, but the borrower is charged a lower rate of interest because the governmental guarantee lowers the risk of default. The cost to the Government occurs only when a borrower defaults and the Government must repay the loan. In some cases the Government establishes an insurance fund to which the borrower contributes to cover anticipated defaults.

In accordance with widely accepted practice, the subsidy cost estimates are the capitalized value of the difference between what the Government must pay to borrow and what the borrower is charged. In other words, we are measuring the value of the stream of payments the Government must make to offset what the credit recipient himself has not paid over the life of the loan. The interest rate used to represent the cost of Government borrowing is the average rate on 3–5-year Government securities.[2] Table 3 lists the major credit subsidies and estimates their costs. These estimates were prepared by the Office of Management and Budget based on information provided by the executive agencies. Since the information was collected for budget analysis purposes rather than to estimate costs, the estimates should not be considered precise. They are reasonable orders of magnitude.[3]

Table 4 represents estimates that attempt to measure the benefits to the borrower of the major credit subsidies. In order to do this, we have chosen a higher interest rate that is intended to represent what the borrower might have had to pay to borrow the money without Government assistance. The rates chosen are very conservative and will undoubtedly underestimate benefits. In fact, some credit recipients would be unable to borrow at any price without Government assistance.

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[2] The actual cost of Government borrowing, and hence the cost of the subsidy, may change over the life of a loan. For example, if the Government makes a 30-year loan it will refinance the loan several times before repayment. Because it is impossible to foresee the rate at which the refinancing will occur, a constant rate is assumed. This assumption is satisfying from a conceptual point of view because the cost estimate then represents the size of the commitments the Government thinks it is making at the time it makes that commitment. Discount rates used were: 1970, 7.5 percent; 1971, 5.75 percent; 1972, 5.75 percent; 1973, 7 percent; 1974, 7.5 percent; 1975, 7.5 percent.

[3] The information available on many credit subsidies has been aggregated in such a fashion that it is not possible to determine accurately the cost of an individual program. This suggests that cost may not be a primary consideration for the legislative branch when enacting or extending the program or for the executive branch when managing it.

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These estimates are useful, however, because they provide some crude idea of the large difference between the cost of credit subsidies to the Government and the benefit to the borrower.[4]

TABLE 3.—GROSS BUDGETARY COST OF MAJOR FEDERAL CREDIT SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Agriculture:						
Commodity price support	40	17	26	9	10	18
Storage facility and equipment	2	0	−1	6	3	1
Rural electrification	239	195	230	257	220	220
Rural telephone	0	0	37	72	76	81
Miscellaneous farm credit programs	95	49	53	244	218	176
Community facilities loans	0	0	0	77	192	214
Medical care:						
Medical facility construction	3	7	−13	−25	1	0
Nursing school construction	1	−1	−3	29	32	26
Education:						
Higher Education Act	68	−42	−43	154	109	54
Higher education facilities interest subsidy	4	15	0	0	0	0
Law enforcement education	0	−1	−1	0	1	0
Higher education facilities loans	8	−79	−63	107	81	5
International:[1]						
Export-Import Bank; Direct	108	−3	−21	113	214	231
Foreign military credit sales	2	−1	0	15	12	19
Development loans—Revolving fund	233	165	130	189	261	301
Emergency assistance for Israel	0	83	0	0	226	0
Public Law 480	211	182	147	237	349	331
Housing:						
Mortgage insurance	1,698	1,123	2,174	1,783	1,462	855
Low-rent public housing	1,174	1,060	1,282	380	958	283
Veterans housing—Direct	13	11	11	34	0	0
Rural housing loans	95	−2	1	2	3	5
Natural resources: Programs are included in other accounts as noted in individual program discussions.						
Commerce and economic development:						
Economic development assistance	6	−5	0	4	2	1
Irrigation system loans	2	1	4	6	6	3
Business and industrial loans—see community facilities loans under agriculture.						
Small business economic injury disaster loans	18	16	21	34	7	8
Small Business Administration loans	17	−6	2	6	10	10
Urban renewal projects	14	10	19	106	26	21
Other:						
Indian direct loan fund	1	0	0	1	7	7
Veterans special life insurance	2	1	1	1	2	2
Veterans life insurance	72	31	27	28	34	36
Environmental protection direct loans	0	0	0	0	2	9
Total, order of magnitude	4,126	2,826	4,020	3,869	4,524	2,917

[1] Foreign currency loans and foreign investment guarantees have been included in the loan account called economic development assistance which is included in commerce and economic development.

[4] Discount rates used were: 1970, 8 percent; 1971, 8.5 percent; 1972, 7.7 percent; 1973, 7.6 percent; 1974, 8.9 percent; 1975, 8.9 percent.

TABLE 4.—ESTIMATED BENEFITS OF MAJOR FEDERAL CREDIT SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Agriculture:						
Commodity price support	45	38	49	13	18	31
Storage facility and equipment	2	2	5	8	6	2
Rural electrification	251	271	297	289	291	291
Rural telephone	0	0	47	77	86	92
Miscellaneous farm credit programs	109	176	167	304	311	252
Community facilities	0	0	0	95	265	295
Medical care:						
Medical facility construction	3	10	2	3	47	0
Nursing school construction	2	4	5	31	36	29
Education:						
Higher Education Act	90	231	175	207	183	123
Higher education facilties interest subsidy	4	15	0	0	0	0
Law enforcement education	0	1	0	1	2	2
Higher education facilities loans	14	88	44	138	118	6
International: [1]						
Export-Import Bank—Direct	143	25	139	179	404	435
Foreign military credit sales	4	18	26	23	23	35
Development loans—Revolving fund	233	165	130	189	261	301
Emergency assistance for Israel	0	174	0	0	274	0
Public Law 480	223	264	207	258	399	379
Housing:						
Mortgage insurance	1,786	1,594	2,849	1,923	1,695	1,019
Low rent public housing	1,203	1,247	1,454	393	1,019	301
Rehabilitation loan fund	14	18	16	37	0	0
Rural housing loans	130	1	1	2	3	6
Natural Resources: Programs are included in other loan accounts as noted in individual program discussions.						
Commerce and economic development:						
Economic development assistance	7	6	6	6	4	3
Irrigation system loans	2	2	7	7	7	4
Business and industrial loans—see Community facilities loans under agriculture.						
Small business economic injury disaster loans	25	41	29	44	11	12
Small Business Administration loans	23	28	25	11	33	23
Urban renewal projects	18	39	44	138	49	39
Other:						
Indian direct loan fund	1	1	1	1	10	10
Veterans special life insurance	3	3	2	2	3	3
Veterans life insurance	78	59	46	34	47	48
Environmental Protection Agency direct loans	0	0	0	0	8	32
Total order of magnitude	4,413	4,521	5,773	4,413	5,613	3,773

[1] Foreign currency loans and foreign investment guarantees have been included in the loan account called economic development assistance which is included in commerce and economic deveopment.

D. Benefit-in-Kind Subsidies

A benefit-in-kind subsidy exists when the Government sells to the private sector a good or service at a price below market value or below cost in cases where no private market exists. Clearest examples of a benefit-in-kind is the food stamp program: the Government sells coupons to individuals which have a market value above the price charged. In some cases the distinction between a benefit-in-kind and another form of subsidy is rather arbitrary because the Federal Government may provide a cash payment or credit to another level of government or to a private agency which then provides a good or service to the ultimate beneficiary.

Table 5 lists the major benefit-in-kind subsidies and presents estimates of their cost. Several subsidies such as surplus property disposal, were omitted from the list because cost estimates were not available.

TABLE 5.—GROSS BUDGETARY COST OF MAJOR FEDERAL BENEFIT-IN-KIND SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Agriculture:						
Emergency livestock feed program	0	0	1	18	9	9
Fertilizer development	7	7	7	8	8	8
Food:						
Food distribution	558	578	606	499	515	301
Food stamps	551	1,523	1,843	2,208	2,846	3,985
Special food service program for children	7	21	43	54	94	107
School breakfast program for children	11	20	27	37	70	77
Nonfood service assistance for schools	17	37	18	16	28	22
School lunch program	301	599	818	939	1,158	1,212
Special milk program for children	102	93	95	95	98	119
Emergency food and medical services	0	49	0	0	0	0
Special supplemental food program for women, infants, and children	0	0	0	0	40	40
Medical care:						
Medical assistance program (medicaid)	2,638	3,374	4,367	4,998	5,659	6,592
Health insurance for the aged (medicare)	1,979	2,035	2,255	2,391	2,966	3,586
Manpower:						
Federal employment for disadvantaged youth:						
Part-time	28	35	46	37	36	36
Summer	24	39	39	36	31	32
Emergency employment assistance	0	0	976	1,263	9	(1)
Education:						
Surplus property utilization	409	459	399	380	390	400
International:						
Foreign agricultural market development and promotion	15	16	11	12	13	13
Natural resources:						
Water and waste disposal systems for rural communities	45	41	300	29	50	100
Stated private forestry cooperation	26	22	26	23	23	(2)
Resource conservation and development	11	14	16	22	24	24
Transportation:[3]						
Airport development aid	0	170	280	207	300	310
Airport planning grants	10	4	9	10	10	13
Urban mass transit capital improvement grants	133	285	510	844	872	1,255
National Rail Passenger Corporation	80	0	0	103	103	143
Small navigation projects	1	2	2	4	3	3
Commerce and economic development:						
Excessive tax and loan account balances[4]	300	300	300	300	300	300
Postal service	1,510	2,183	1,772	1,567	1,999	1,553
Total, order of magnitude[5]	8,762	11,906	14,766	16,100	17,654	20,240

[1] Included in manpower revenue sharing.
[2] Unavailable.
[3] Jeremy J. Warford estimates that subsidies to general aviation are approximately $640 million annually. See Jeremy J. Warford, "Subsidies to General Aviation," "The Economics of Federal Subsidy Programs, Part 6—Transportation Subsidies," A Compendium of Papers Submitted to the Subcommittee on Priorities and Economy in Government of the Joint Economic Committee, February 26, 1973.
[4] This estimate is considered representative of annual costs. It will change with changes in the interest rate.
[5] Individual items may not add to totals due to rounding error.

Source: "Report on a Study of tax and loan accounts," Department of the Treasury, June 1974.

DESCRIPTION OF SUBSIDY PROGRAMS

This section contains a brief description of each of the major subsidy programs included in the study. They are grouped according to the private sector area where they have their most direct impact. This type of grouping shows the overlap between subsidy programs and allows comparison of the various ways subsidies are given in a single economic area. In some cases the assignment given an individual program is arbitrary.

Data Format Information

The individual program writeups generally follow the format on the data sheet below. The interest rate and maturity line is of course dropped for noncredit subsidies. Because of a lack of information, the tax subsidy format is more drastically altered to only include the authorization, description, and subsidy costs. The sections following the tax authorization refer to the Internal Revenue Code; the descriptions include both an explanation of how the tax subsidy works and a statement of objective if available; the tax subsidy cost is measured in revenue loss. Where applicable, a description of the distribution formula has been provided.

A sample of the standard data format follows below.

PROGRAM TITLE

Administering agency	This is the department and its subdivision responsible for managing the particular program.
Identification	Authorization: This is the legal authority upon which the subsidy is based. Budget account: This is the identification code listed in the budget. CFDA: This is the number(s) of the program as listed in the *Catalog of Federal Domestic Assistance*.
Objectives	These are the goals toward which the managing agency indicates the program is directed.
Financial form	The basic financial forms of a subsidy are direct cash payments, tax liability reductions, credit aids, and benefit-in-kind. Additional information is placed in parenthesis when it can be helpful.
Direct recipient	This is the first private recipient to feel the impact of the subsidy.
Interest rate and maturity.	This information is included only for credit aids. The interest rate is the rate used to calculate the subsidy. Where rates vary within a program, the one listed is an estimated average. Where insurance premiums are charged, they have been included in the interest rate. Information on the insurance premium is included where applicable. The maturity is the average time period for which the loan is made. This is the time period used in calculating the subsidy.

Description	This has been included for tax subsidies in lieu of objectives and direct recipient. Of course there is no administering agency, budget account or CFDA.
Distribution formula	This is a description of the formula used to distribute the Federal funds including matching requirements where applicable.
Subsidy costs	This is an approximation of the obligations associated with the program. For credit aids this will include the capitalized value of the loan if the Government borrowing rate were 7½ percent in 1970, 5¾ percent in 1971, 5¾ percent in 1972, 7 percent in 1973, 7½ percent in 1974, and 7½ percent in 1975.

AGRICULTURE

GROSS BUDGETARY COSTS OF FEDERAL AGRICULTURE SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
Commodity purchase	688	735	845	625	280	320
Cotton production stabilization	828	917	824	813	715	79
Feed grain production stabilization	1,644	1,504	1,052	1,846	1,171	25
Sugar production stabilization	93	84	88	89	89	92
Wheat production stabilization	863	874	878	863	477	75
National Wool Act	53	72	113	68	0	(1)
Dairy and beekeeper indemnity	0	0	5	6	3	2
Agricultural conservation program (REAP)	185	150	196	29	90	0
Cropland adjustment	77	78	67	52	50	49
Tax subsidies: Expensing and capital gains for farming	880	820	840	900	1,200	1,100
Credit subsidies:						
Commodity price support	40	17	26	9	10	18
Storage facility and equipment	2	0	—1	6	3	1
Rural electrification	239	195	230	257	220	220
Rural telephone	0	0	37	72	76	81
Miscellaneous farm credit programs	95	49	53	244	218	176
Community facilities	0	0	0	77	192	214
Benefits-in-kind:						
Emergency livestock feed program	0	0	1	18	9	9
Fertilizer development	7	7	7	8	8	8
Total order of magnitude[2]	5,664	5,502	5,261	5,982	4,811	2,460

[1] Undetermined.
[2] Individual items may not add to totals due to rounding error.

COMMODITY PURCHASES

(Price Supports)

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Agricultural Act of 1949, as amended; Public Law 89–231 (Food and Agriculture Act of 1965); Public Law 90–559; 15 U.S.C. 714–714p; 7 U.S.C. 1421; 7 U.S.C. 1441; 7 U.S.C. 1781–1787; Public Law 91–524 (Agricultural Act of 1970). Budget account: 05–48–4336–0–3–351. CFDA: 10.051.
Objectives	To improve and stabilize farm income, to assist in bringing about a better balance between supply and demand of the commodities, and to assist farmers in their orderly marketing of their crops. This is accomplished through Government purchase of eligible commodities in this case, although this may also be done through nonrecourse loans.
Financial form	Direct payments.
Direct recipient	Any person who, as owner, landlord, tenant, or share cropper, is entitled to share in crops on a farm, that has history of producing is eligible. Eligible commodities are feed grains and feed grain products, wheat and wheat products, rice, rye, blended food products, dry edible beans, castor beans and oil, flaxseed, soybeans and soybean products, honey, upland cotton, extra-long staple cotton, cotton products, dairy products, peanuts, tung nuts and oil, vegetable oil products, linseed oil, rosin and turpentine, tobacco, tallow or grease, and seeds and plants.
Subsidy costs	Fiscal year 1970, $688,456,000; fiscal year 1971, $734,716,000; fiscal year 1972, $845,181,000; fiscal year 1973, $624,568,000; fiscal year 1974, $280,066,000; fiscal year 1975, $319,715,000.

COTTON PRODUCTION STABILIZATION

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Food and Agriculture Act of 1965, as amended; Public Law 89–213; Public Law 90–559; Agricultural Act of 1970, title VI; Public Law 91–524; 7 U.S.C. 1341–1350. Agriculture and Consumer Protection Act of 1973; Public Law 93–86. Budget account: 05–66–4336–0–3–351. CFDA: 10.052.
Objectives	To adjust the production of surplus crops to keep crops in balance with demand, to reduce public cost, and to make price support programs more effective. The payments are used for production costs and to help farmers maintain their income.
Financial form	Direct payments.
Direct recipient	Any person who as owner, landlord, tenant, or share-cropper on a farm that has history of producing the commodity.
Subsidy costs	Fiscal year 1970, $827,559,000; fiscal year 1971, $917,498,000; fiscal year 1972, $823,949,000; fiscal year 1973, $813,490,000; fiscal year 1974, $714,865,000; fiscal year 1974, $79,000,000.

FEED GRAIN PRODUCTION STABILIZATION

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Food and Agriculture Act of 1965, as amended; Public Law 89–321; Public Law 90–559; Agricultural Act of 1970; Public Law 91–524, title V; 7 U.S.C. 1421, 1441–1442. Agricultural and Consumer Protection Act of 1973; Public Law 93–86. Budget account: 05–66–4336–0–3–351. CFDA: 10.055.
Objectives	To adjust the production of surplus crops to keep crops in balance with demand, to reduce public cost, and to make price-support programs more effective. The payments are used for production costs and to help farmers maintain their income. Producers of feed grains who participate can earn payments by setting aside an acreage from crop production equal to a specified percentage of the base and maintaining the farm's conserving base.
Financial form	Direct payments.
Direct recipient	Any person who as owner, landlord, tenant, or sharecropper on a farm that has history of producing the commodities is eligible. Eligible commodities are wheat, corn, barley, grain, sorgum, and oats.
Subsidy costs	Fiscal year 1970, $1,643,578,000; fiscal year 1971, $1,503,618,000; fiscal year 1972, $1,052,309,000; fiscal year 1973, $1,846,335,000; fiscal year 1974, $1,171,000,000; fiscal year 1975, $25,000,000.

SUGAR PRODUCTION STABILIZATION

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Sugar Act of 1948, as amended; Public Law 80–388, as amended; 7 U.S.C. 1100 et. seq. Agriculture-Environmental and Consumer Protection Appropriation Act, 1974. Budget account: 05–60–3305–0–1–351. CFDA: 10.057.
Objectives	To protect the welfare of the U.S. sugar industry, to provide U.S. consumers with ample sugar supplies at reasonable prices, and to promote and strengthen the export trade of the United States.
Financial form	Direct payments.
Direct recipient	Sugar beet and sugarcane producers in the continental United States, Hawaii, and Puerto Rico are eligible for payments. To be eligible, producers must (*a*) not harvest an acreage in excess of the proportionate share (acreage allotment) established for their farms; (*b*) pay all farmworkers at rates not less than those established by the Secretary of Agriculture; and (*c*) if they are also processors of sugar beets or sugarcane, pay fair prices for cane or beets purchased from other growers. If they employ children under 14 years or permit those 14 years and 15 years to work in excess of 8 hours per day, a $10 deduction is made from their payment for each day the child is employed.
Subsidy costs [1]	Fiscal year 1970, $93,000,000; fiscal year 1971; $83,600,000; fiscal year 1972, $87,690,304; fiscal year 1973, $88,631,776; fiscal year 1974, $88,737,900; fiscal year 1975, $91,500,000.

[1] Legislation extending the act was rejected by Congress in 1974.

WHEAT PRODUCTION STABILIZATION

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Food and Agriculture Act of 1965, as amended; Public Law 89–321; Public Law 90–559; Agricultural Act of 1970; Public Law 91–524, title IV; 7 U.S.C. 1331–1340, 1379. Agriculture and Consumer Protection Act of 1973; Public Law 93–86. Budget account: 05–66–4336–0–3–351. CFDA: 10.058.
Objectives	To adjust the production of surplus crops to keep crops in balance with demand, to reduce public cost, and to make price-support programs more effective. The payments are used for production costs and to help farmers maintain their income. Producers of wheat who participate can earn domestic marketing certificates by setting aside an acreage from crop production equal to a specific percentage of the allotment and maintaining the farm's conserving base.
Financial form	Direct payments.
Direct recipient	Any person who as owner, landlord, tenant, or sharecropper on a farm that has history of producing the commodities is eligible.
Subsidy costs	Fiscal year 1970, $863,209,000; fiscal year 1971, $873,587,000; fiscal year 1972, $878,120,000; fiscal year 1973, $863,051,000; fiscal year 1974, $477,250,000; fiscal year 1975, $75,000,000.

NATIONAL WOOL ACT PAYMENTS

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: National Wool Act of 1954, as amended; Public Law 89–321; Public Law 90–559 (Food and Agricultural Act of 1965, as amended); Public Law 91–524, title III (Agricultural Act of 1970); 7 U.S.C. 1781–1787; Agricultural and Consumer Protection Act of 1973; Public Law 93–86. Budget account: 05–66–4336–0–3–351. CFDA: 10.059.
Objectives	The wool program is designed, through the use of annual incentive payments, to supplement the income of growers from sheep production and thereby to encourage increased domestic production of wool at prices fair to both producers and consumers in a way that has the least adverse effects on foreign trade. It also seeks to encourage producers to improve the quality and marketing of their wool and mohair.
Financial form	Direct payments.
Direct recipient	Any person who as owner, landlord, tenant, or sharecropper on a farm that has history of producing the commodity is eligible.
Subsidy costs	Fiscal year 1970, $52,644,000; fiscal year 1971, $71,913,000; fiscal year 1972, $112,766,000; fiscal year 1973, $67,990,000; fiscal year 1974, $0; fiscal year 1975, undetermined.

DAIRY AND BEEKEEPER INDEMNITY PAYMENTS

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Public Law 90–484, as amended and the Agriculture Act of 1970; Public Law 91–524, title II section 204; 7 U.S.C. 405e, 135b note; Agriculture and Consumer Protection Act of 1973; Public Law 93–86. Budget account: 05–60–3314–0–1–351. CFDA: 10.053, 10.060.
Objectives	For necessary expenses involved in making payments to dairy farmers and manufacturers of dairy products who have been directed to remove their milk or milk products from commercial markets because it contains residues of chemicals registered and approved for use by the Federal Government, and to beekeepers who through no fault of their own have suffered losses as a result of the use of poisons which had been registered and approved for use by the Federal Government.
Financial form	Direct cash payments.
Direct recipient	Dairy farmers, dairy manufacturers and beekeepers.
Subsidy costs	Fiscal year 1970, $200,000; fiscal year 1971, $94,289; fiscal year 1972, $4,706,204; fiscal year 1973, $6-335,651; fiscal year 1974, $3,458,745; fiscal year 1975, $1,850,000.

AGRICULTURAL CONSERVATION PROGRAM (REAP)

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Soil Conservation and Domestic Allotment Act (1936) sections 7 to 15, 16(a) and 17, as amended (16 U.S.C. 290q–590, 590p(a), and 590q). Agriculture-Environmental and Consumer Protection Appropriation Act, 1974. Budget account: 05–60–3315–0–1–354. CFDA: Not listed.
Objectives	This program is designed to encourage conservation by sharing with farmers, ranchers, and woodland owners the cost of carrying out approved soil-and-water conserving practices, including related wildlife-conserving practices and water, air, and land pollution-abatement practices which farmers generally would not perform to the needed extent with their own resources.
Financial form	Direct payments.
Direct recipient	Those farmers, ranchers, landlords that county committees of the Agricultural Stabilization and Conservation program approve as eligible for conservation practice cost-sharing.
Subsidy costs	Fiscal year 1970, $185,000,000; fiscal year 1971, $150,-000,000; fiscal year 1972, $195,500,000; fiscal year 1973, $29,163,000; fiscal year 1974, $90,000,000; fiscal year 1975, $0 (program terminated).

CROPLAND ADJUSTMENT PROGRAM

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Food and Agriculture Act of 1956 (7 U.S.C. 1838); Agriculture-Environmental and Consumer Protection Appropriation Act, 1974. Budget account: 05–60–3335–0–1–351. CFDA: Not listed.

Objectives	To divert cropland from the production of certain crops to more needed uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources. The program also helps farmers establish, protect, and conserve open spaces and natural beauty, and prevent air and water pollution.
Financial form	Direct payments.
Direct recipient	Producers of eligible crops.
Subsidy costs	Fiscal year 1970, $77,200,000; fiscal year 1971, $77,800,000; fiscal year 1972, $67,100,000; fiscal year 1973, $51,650,000; fiscal year 1974, $50,301,000; fiscal year 1975, $48,601,000.

FARMING: EXPENSING AND CAPITAL GAINS TREATMENT

Authorization	(After Tax Reform Act of 1969) Section 1251—Gain from disposition of property used in farming where farm losses offset nonfarm income. Section 1245—Gain from disposition of certain depreciable property. Section 1231—Property used in the trade or business and involuntary conversions. Section 1031—Exchange of property held for productive use or investment. Section 270—Limitation on deductions allowable to individuals in certain cases, replaced by section 183—Activities not engaged in for profit. Section 278—Capital expenditures incurred in planting and developing citrus groves.
Financial form	Tax subsidies.
Description	Farmers, including corporations, may deduct certain costs as current expenses even though these costs represent inventories on hand at the end of the year or capital improvements. For example, the cost of producing crops or raising livestock may be deducted as an expense even if not sold by the end of the tax year. Certain capital improvements are also deductible during the year incurred rather than capitalized and depreciated. This treatment also extends to the sale of orchards, vineyards and comparable agricultural activities. Although the special farm accounting rules were adopted to relieve farmers of bookkeeping burdens, these rules were used by some high-income taxpayers who were not primarily engaged in farming to obtain a tax, but not an economic, loss which was then deducted from the high-bracket, nonfarm income. In addition, when these high-income taxpayers sold their farm investment, they often received capital gains treatment on the sale. The combination of the current deduction against ordinary income for farm expenses of a capital nature and the capital gains treatment available on the sale of farm assets produced significant tax advantages and tax savings for these high-income taxpayers. "General Explanation of the Tax Reform Act of 1969," p. 90. After the Tax Reform Act of 1969, capital gains from the sale of farm assets may be taxed as ordinary income to the extent farm losses (over $25,000) previously reduced nonfarm income exceeding $50,000. This provision is much more complicated that it appears here. For additional details see the "General Explanation of the Tax Reform Act of 1969." Staff Report of the Joint Committee on Internal Revenue Taxation, December 3, 1970, pp. 89–98.
Subsidy costs	Fiscal year 1970, $880,000,000: fiscal year 1971, $820,000,000; fiscal year 1972, $840,000,000; fiscal year 1973, $900,000,000; fiscal year 1974, $1,200,000,000; fiscal year 1975, $1,100,000,000.

COMMODITY PRICE SUPPORTS

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Agricultural Act of 1949, as amended; Public Law 89–321; Public Law 90–559; 15 U.S.C. 714–714p; 7 U.S.C. 1421; 7 U.S.C. 1441; 7 U.S.C. 1781–1787; Public Law 91–524; Agriculture and Consumer Protection Act of 1973; Public Law 93–86. Budget account: 05–66–4336–0–3–351. CFDA: 10.051.
Objectives	To improve and stabilize farm income, to assist in bringing a better balance of supply and demand, and to assist farmers in marketing their crop. Price support loans are nonrecourse. If market prices rise above support prices, producers can pay off the loan and market their commodity; if market prices fall below support prices, producers may meet their loan obligation through forfeiture of the commodity collateral. Eligible commodities are feed grains and feed grain products, wheat and wheat products, rice, rye, blended food products, dry edible beans, flaxseed, soybeans and soybean products, honey, upland cotton, extra long staple cotton, dairy products, cotton products, peanuts, tung nuts and oil, vegetable oil products, linseed oil, rosin and turpentine, tobacco, seeds, and plants.
Financial form	Direct loans (nonrecourse).
Direct recipient	Owner, landlord, tenant, or sharecropper on a farm that has a history of producing the commodity.
Interest rate and maturity.	Fiscal years 1970–72, 3.5 percent, 0.8 years; fiscal year 1973, 5.5 percent, 0.8 years; fiscal year 1974, 5.5 percent, 0.8 years; fiscal year 1975, 5.5 percent, 0.8 years.
Subsidy costs	Fiscal year 1970, $40,470,000; fiscal year 1971, $17,100,000; fiscal year 1972, $26,230,000; fiscal year 1973, $9,180,000; fiscal year 1974, $10,430,000; fiscal year 1975, $18,110,000.

STORAGE FACILITIES AND EQUIPMENT LOANS

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Agricultural Act of 1949, as amended; 12 U.S.C. 1134c; Commodity Credit Corporation Charter Act, as amended; 15 U.S.C. 714–714p; Agricultural Act of 1970; Public Law 91–524. Budget account: 05–66–4336–0–3–351. CFDA: 10.056.
Objectives	To provide financing for on-farm storage facilities and drying equipment.
Financial form	Direct loans.
Direct recipient	Any person who as owner, landlord, tenant, or sharecropper produces one or more of the 12 eligible commodities.
Interest rate and maturity.	Fiscal years 1970–72, 6 percent, 5 years; fiscal year 1973, 5.5 percent, 5 years; fiscal year 1974, 5.8 percent, 5 years; fiscal year 1975, 6.0 percent, 5 years.
Subsidy costs	Fiscal year 1970, $1,760,000; fiscal year 1971, −$180,000; fiscal year 1972, −$730,000; fiscal year 1973, $5,540,000; fiscal year 1974, $3,310,000; fiscal year 1975, $870,000.

RURAL ELECTRIFICATION LOANS

Administering agency	Rural Electrification Administration, Department of Agriculture.
Identification	Authorization: Titles I and III of the Rural Electrification Act of 1936, as amended; 7 U.S.C. 901–15 and 931–940. Budget account: Excluded from the budget by law. CFDA: 10.850.
Objectives	To finance dependable central station electric service in rural areas.
Financial form	Direct loans and guaranteed/insured loans.
Direct recipient	Rural electric cooperatives, public utility districts, power companies, municipalities, and other qualified power suppliers.
Interest rate and maturity.	Fiscal years 1970–75, 2 percent, 35 years.
Subsidy costs	Fiscal year 1970, $239,030,000; fiscal year 1971, $195,470,000; fiscal year 1972, $229,590,000; fiscal year 1973, $257,000,000; fiscal year 1974, $220,000,000; fiscal year 1975, $220,000,000.

RURAL TELEPHONE LOANS

Administering agency	Rural Electrification Administration, Department of Agriculture.
Identification	Authorization: Titles II and III of the Rural Electrification Act of 1936, as amended; 7 U.S.C. 922–924 and 931–940. Budget account: Excluded from the budget by law. CFDA: 10.851, 10.852.
Objectives	To finance the extension and improvement of telephone service in rural areas.
Financial form	Direct loans and guaranteed/insured loans.
Direct recipient	Telephone companies or cooperatives, nonprofit, limited dividend, mutual associations, or public bodies.
Interest rate and maturity.	Fiscal years 1970–75, 2 percent, 35 years.
Subsidy costs	Fiscal year 1970, $0; fiscal year 1971, $0; fiscal year 1972, $36,530,000; fiscal year 1973, $71,720,000; fiscal year 1974, $76,290,000; fiscal year 1975, $81,370,000.

FARM OPERATING LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Title I of the Rural Development Act, Public Law 92–419; 7 U.S.C. 1942 and title III of the Agricultural Act of 1961, Public Law 87–128. Budget account: 05–75–4140–0–3–351. CFDA: 10.406.
Objectives	To enable operators of not-larger-than-family farms, through the extension of credit and supervisory assistance, to make efficient use of their land, labor, and other resources. Loan funds may be used to: (1) purchase livestock, poultry, fur bearing and other farm animals, fish, and bees; (2) purchase farm, forestry, recreation, or nonfarm enterprise equipment; (3) provide operating expenses for farm, forestry, recreation, or nonfarm enterprise; (4) meet family subsistence needs and purchase essential home equipment; (5) make minor real estate improvements; (6) refinance secured and unsecured debts; (7) pay property taxes; (8) pay insurance premiums on real estate and personal property; (9) other miscellaneous purposes.

Financial form	Direct and guaranteed/insured loans (1972–75).
Direct recipient	Persons must (*a*) have a farm background and the experience or training needed to be successful in the proposed operation; (*b*) be a U.S. citizen of legal age; (*c*) be unable to obtain sufficient credit elsewhere on reasonable terms; (*d*) possess the character, industry, and ability to carry out the proposed operation; (*e*) after the loan is made, conduct not-larger-than-a-family farming operation as an owner or tenant; (*f*) be a youth not more than 21 years of age residing in rural areas or towns of not more than 10,000 population; may receive loans to finance projects in connection with their participation in 4–H, Future Homemakers, or similar organization activities.
Interest rate and maturity.	Unavailable.
Subsidy costs	Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was: Fiscal year 1970, $275,000,000; fiscal year 1971, $275,000,000; fiscal year 1972, $337,156,250; fiscal year 1973, $454,620,600; fiscal year 1974, $525,000,000; fiscal year 1975; $350,000,000.

FARM OWNERSHIP LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Consolidated Farm and Rural Development Act, sec. 302 of Public Law 92–419 (7 U.S.C. 1922). Budget account: 05–75–4140–0–3–351. CFDA: 10.407.
Objectives	To assist eligible farmers and ranchers, through the extension of credit and supervisory assistance, to become owner-operators of not larger than family farms; to make efficient use of the land, labor, and other resources; to carry on sound and successful operations on the farm, and afford the family an opportunity to have a reasonable standard of living. Funds may be used to (1) enlarge, improve, and buy family farms; (2) refinance debts so as to place the farming operation on a sound basis; (3) provide necessary water and water facilities; (4) provide basic soil treatment and land conservation measures; (5) construct, repair, and improve buildings needed in the operation of a family farm; (6) construct or repair farmhouses; (7) improve, establish, or buy a farm for enterprise; (8) produce fish under controlled conditions; (9) finance nonfarm enterprises, including recreation on all or part of the farm; (10) buy and develop land to be used for forestry purposes.
Financial form	Guaranteed/insured loans.
Direct recipient	Farmers and ranchers who are (1) unable to obtain adequate credit from other sources at reasonable terms; (2) a U.S. citizen of legal age.
Interest rate and maturity.	Unavailable.

Subsidy costs	Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was: Direct: Fiscal year 1970, $5,005,700. Guaranteed/insured: fiscal year 1970, $256,490,900; fiscal year 1971, $262,998,690; fiscal year 1972, $355,000,000; fiscal year 1973, $408,088,930; fiscal year 1974, $350,000,000; fiscal year 1975, $350,000,000.

GRAZING ASSOCIATION LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Consolidated Farm and Rural Development Act, sec. 306 of Public Law 92–419 (7 U.S.C. 1926). Budget account: 05–75–4140–0–3–351. CFDA: 10.408.
Objectives	To increase the income of farm families and those who reside in rural areas.
Financial form	Guaranteed/insured loans.
Direct recipient	Loans may be made to associations of family farmers and ranchers to acquire and develop grazing land to provide seasonal grazing for livestock belonging to association members. Assistance is limited to farmers and ranchers. The total indebtedness cannot exceed $4,000,000.
Interest rate and maturity.	Unavailable.
Subsidy costs	Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was: Fiscal year 1970, $7,599,000; fiscal year 1971, $6,947,000; fiscal year 1972, $7,265,300; fiscal year 1973, $2,450,200; fiscal year 1974, $4,000,000; fiscal year 1974, $4,000,000.

SOIL AND WATER LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Consolidated Farm and Rural Development Act, sec. 306 and subtitle A, sec. 304; Public Law 92–419 (7 U.S.C. 1924, 1926). Budget account: 05–75–4140–0–3–351. CFDA: 10.409, 10.416.
Objectives	To facilitate improvement, protection, and proper use of farmland by providing adequate financing and supervisory assistance for soil conservation; water development, conservation, and use; forestation; drainage of farmland; the establishment and improvement of permanent pasture; and related measures. To increase the income of farm families and other rural residents. Funds are used to level land; carry out basic land treatment practices, including liming, fertilizing, and seeding; establish permanent pastures and farm forests; establish forestry practices; improve irrigation; develop water supplies for home use and livestock; purchase pumps, sprinkler systems, and other irrigation equipment; acquire water rights; restore and repair ponds and tanks, ditches, and canals for irrigation; dig ditches and install tile to drain farmland; develop ponds and water control structures for the production of fish under controlled conditions.

Financial form	Guaranteed/insured loans.
Direct recipient	Rural residents.
Interest rate and maturity.	Unavailable.
Subsidy costs	Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was: Fiscal year 1970, $4,732,940; fiscal year 1971, $8,614,497; fiscal year 1972, $5,432,580; fiscal year 1973, $5,126,782; fiscal year 1974, $11,000,000; fiscal year 1975, $21,000,000.

RESOURCE CONSERVATION AND DEVELOPMENT LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Food and Agriculture Act of 1962, Public Law 87–703; 1011 (supp. V) 1959–63 (7 U.S.C. 1010). Budget account: 05–75–4140–0–3–351. CFDA: 10.414.
Objectives	To provide loan assistance to local sponsoring agencies in authorized areas where acceleration of program of resource conservation, development, and utilization will increase economic opportunities for local people. Loan funds may be used for (1) rural community public outdoor-oriented water-based recreational facilities; (2) soil and water, development, conservation, control and use facilities; (3) shift in land use facilities; (4) community water storage facilities; and (5) special purpose equipment to carry out the above purposes. Project must be located in an authorized RCD area. Total indebtedness for a single RCD measure cannot exceed $250,000.
Financial form	Guaranteed/insured loans.
Direct recipient	Public agencies and local nonprofit corporations in authorized resource conservation and development areas may be eligible for loan assistance provided they: (1) are a sponsor of the RCD measure for which a loan is requested and which is included in the RCD project plan; (2) have authority to borrow funds, repay the loan, and pledge security for the loan and to operate the facilities or services provided; and (3) are financially sound and so organized and managed that it will be able to provide efficient service.
Interest rate and maturity.	Unavailable.
Subsidy costs	Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was: Fiscal year 1970, $1,500,000; fiscal year 1971, $1,958,525; fiscal year 1972, $982,000; fiscal year 1973, $3,225,000; fiscal year 1974, $3,600,000; fiscal year 1975, $3,600,000.

WATERSHED PROTECTION AND FLOOD PREVENTION

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Watershed Protection and Flood Prevention Act of 1954, as amended, sec. 8 (16 U.S.C. 1006a). Budget account: 05–75–4140–0–3–351. CFDA: 10.419.

Objectives---------- To provide loan assistance for the local sponsors and share of cost for works of improvement in approved watersheds. Loan funds may be used to help local sponsors provide the local share of the cost of watershed works of improvement for flood prevention, irrigation, drainage, water quality management, sedimentation control, fish and wildlife development, public water-based recreation, and water storage and related costs. The total amount of WS loans outstanding in any one watershed cannot exceed $5,000,000.

Financial form-------- Guaranteed/insured loans.

Direct recipient------- Sponsoring local organization, such as municipal corporation, soil and water conservation district, or other organization not operated for profit of the approved watershed project who has authority under State law to obtain, give security for, and raise revenues to repay the loan and to operate and maintain the facilities to be financed with the loan.

Interest rate and maturity. Unavailable.

Subsidy costs--------- Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was:

Fiscal year 1970, $3,244,000; fiscal year 1971, $6,985,744; fiscal year 1972, $5,000,000; fiscal year 1973, $19,964,000; fiscal year 1974, $20,400,000; fiscal year 1975, $20,400,000.

RECREATION FACILITIES LOANS

Administering agency-- Farmers Home Administration, Department of Agriculture.

Identification--------- Authorization: Consolidated Farm and Rural Development Act, subtitle A, sec. 304; Public Law 92–419 (7 U.S.C. 1924).

Budget account: 05–75–4140–0–3–351.

CFDA: 10.413.

Objectives---------- To assist eligible farm and ranch owners or tenants, through the extension of credit and supervisory assistance, to convert all or a portion of the farms they own or operate to income-producing outdoor recreational enterprises which will supplement or supplant farm or ranch income.

Funds may be used to: (1) develop land and water resources, (2) repair and construct buildings, (3) purchase land, equipment, livestock, and related recreation items, and (4) pay necessary operating expenses.

Recreation enterprises that may be financed include: campgrounds, horseback riding stables, swimming facilities, tennis courts, shooting preserves, vacation cottages, lodges and rooms for visitors, lakes and ponds for boating and fishing, docks, nature trails, hunting facilities, and winter sports areas.

Financial form-------- Guaranteed/insured loans.

Direct recipient------- Owners of rural property engaged in farming at the time the loan is made.

Interest rate and maturity. Unavailable.

Subsidy cost	Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was: Fiscal year 1970, $1,211,180; fiscal year 1971, $1,090,160; fiscal year 1972, $1,807,820; fiscal year 1973, $1,500,000; fiscal year 1974, $1,500,000; fiscal year 1975, $1,500,000.

EMERGENCY LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Sections 321–327 of Public Law 87–128, as amended; (7 U.S.C. 1961–1967), and modified by Public Law 91–606. Budget account: 05–75–4140–0–3–351. CFDA: 10.404.
Objectives	To assist farmers and ranchers in continuing their normal operations following severe losses caused by natural disasters.
Financial form	Direct (1970–71) and guaranteed/insured loans (1972–75).
Direct recipient	Farmers and ranchers.
Interest rate and maturity.	Unavailable.
Subsidy costs	Information was not available to calculate the costs of this program independently of the other programs included under the title "Miscellaneous Farm Credit Programs" on table 3. The value of the loans made or guaranteed under this program was: Fiscal year 1970, $89,430,160; fiscal year 1971, $127,635,905; fiscal year 1972, $108,911,809; fiscal year 1973, $557,800,000; fiscal year 1974, $300,000,000; fiscal year 1975, $100,000,000.

COMMUNITY FACILITIES LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Consolidated Farm and Rural Development Act, section 306; Public Law 92–419; 7 U.S.C. 1926. Budget account: 05–75–4155–0–3–352. CFDA: 10.423.
Objectives	To construct, enlarge, extend, or otherwise improve community facilities providing essential service to rural residents. Community facilities include but are not limited to those providing or supporting overall community development such as fire and rescue services, transportation, traffic control, community, social, cultural, health and recreational benefits; industrial and business development. Loans shall not be made for community electric or telephone systems. All facilities financed in whole or in part with FmHA funds shall be for public use.
Financial form	Guaranteed/insured loans.
Direct recipient	Public and quasi-public bodies and associations including corporations, Indian tribes and existing private corporations which (1) are operated on a not-for-profit basis, (2) have or will have the legal authority necessary for constructing, operating, and maintaining the proposed facility or service and for obtaining, giving security for, and repaying the loan, and (3) are unable to finance the proposed project from its own resources or through commercial credit at reasonable rates and terms.

Interest rate and maturity.[1]	Fiscal years 1970–75, 5 percent, 40 years.
Subsidy costs [1]	Fiscal year 1970, $0; fiscal year 1971, $0; fiscal year 1972, $0; fiscal year 1973, $77,300,000; fiscal year 1974, $192,430,000; fiscal year 1975, $213,810,000.

EMERGENCY LIVESTOCK FEED PROGRAM

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture and Bureau of Indian Affairs, Department of the Interior.
Identification	Authorization: Agricultural Act of 1949, sections 407, 421, and clauses 1 and 2 of section 407, as amended; Commodity Credit Corporation Charter Act, as amended; Executive Order 11336; Public Law 82–299; 7 U.S.C. 1427. Budget account: 05–66–4336–0–3–351. CFDA: 10.061.
Objectives	To provide assistance to eligible livestock owners or needy Indian tribes through either sale or donations of Commodity Credit Corporation-owned feed grains.
Financial form	Benefits-in-kind.
Direct recipient	Livestock owners who (1) do not have sufficient feed; (2) have suffered serious loss of feed; (3) require feed purchases larger than usual because of emergency; and (4) would suffer undue financial hardship in obtaining sufficient feed through normal channels. Members of designated Indian tribes who are without sufficient means to purchase feed after allowances for necessary living expenses. Eligibility is determined by the Secretary of Agriculture. Need is usually brought about by severe drought, flood, hurricane, blizzard, or other uncontrollable catastrophes.
Subsidy costs	Fiscal year 1970, new program; fiscal year 1971, $174,000; fiscal year 1972, $1,119,000; fiscal year 1973, $18,082,000; fiscal year 1974, $8,860,000; fiscal year 1975, $8,860,000.

FERTILIZER DEVELOPMENT

Administering agency	Tennessee Valley Authority.
Identification	Authorization: Tennessee Valley Authority Act of 1933, as amended; 16 U.S.C. 831 et seq.; 48 Stat. 50. Budget account: 33–15–4110–0–3–401. CFDA: 62.001.
Objectives	To develop improved, cheaper fertilizer products and processes, especially in soil and water conservation programs, so as to improve the economic well-being of farmers.
Financial form	Benefits-in-kind.
Direct recipient	Land-grant colleges, fertilizer industry firms, and farmers may participate when fertilizers are available and suitable to the area and structure of organizational relationships. Fertilizer manufacturers and distributors may procure fertilizers for introductory programs. Patent licenses are available to fertilizer industry. Agricultural research stations and extension services may take part on a cooperative contract basis. Ultimate beneficiaries are the farmers of the United States.

[1] Includes the Water and Waste Disposal Systems program described under Natural Resources.

Formula requirements--	In cooperative contracts with land-grant colleges, institution's contribution depends on conditions contained in the specific contract.
Subsidy costs---------	Fiscal year 1970, $6,816,358; fiscal year 1971, $6,999,503; fiscal year 1972, $7,166,445; fiscal year 1973, $7,909,891; fiscal year 1974, $8,262,000; fiscal year 1975, $8,499,000.

FOOD

GROSS BUDGETARY COSTS OF FEDERAL FOOD SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Benefit-in-kind:						
Food distribution	558	578	606	499	515	301
Food stamps	551	1,523	1,843	2,208	2,846	3,985
Special food service program for children	7	21	43	54	94	107
School breakfast program for children	11	20	27	37	70	77
Nonfood service assistance for schools	17	37	18	16	28	22
School lunch program	301	599	818	939	1,158	1,212
Special milk program for children	102	93	95	95	98	119
Emergency food and medical services	0	49	0	0	0	0
Special supplemental food program for women, infants, and children	0	0	0	0	40	40
Total, order of magnitude [1]	1,547	2,920	3,448	3,848	4,850	5,866

[1] Individual items may not add to totals due to rounding error.

FOOD DISTRIBUTION

Administering agency	Food and Nutrition Service, Department of Agriculture.
Identification	Authorization: Sec. 32 of Public Law 320, 74th Cong., as amended; 7 U.S.C. 612c; sec. 416 of the Agricultural Act of 1949, as amended; 7 U.S.C. 1431; secs. 6, 9, and 13 of the National School Lunch Act, as amended; 42 U.S.C. 1755, 1758, and 1761; sec. 8 of the Child Nutrition Act of 1966; Public Law 89–642; 42 U.S.C. 1777; Public Law 165, 75th Cong., as amended; 15 U.S.C. 713c; Public Law 92–32, 85 Stat. 85, 42 U.S.C. 1764; Public Law 92–433, 86 Stat. 729; Public Law 92–603, 86–1329; Public Law 93–29, 87 Stat. 56. Budget account: 05–66–4336–0–3–35, 05–81–5209–0–2–351. CFDA: 10.550.
Objectives	To improve the diets of school children and needy persons in households and charitable institutions and other individuals in need of food assistance, and to increase the market for domestically produced foods acquired under surplus removal or price support operations.
Financial form	Benefits-in-kind.
Direct recipient	Food is made available through the States for distribution to qualifying households, individuals, schools, charitable institutions, and summer camps. Families must live in city or county which has the program and must be certified by local welfare assistance as having inadequate income and resources. The family head may be employed, pensioned, striking, or unemployed. Upper limits of allowable income and resources vary with family size and among local jurisdictions. Only expectant or new mothers, infants, and young children from low-income families—those most subject to health problems caused by malnutrition—are eligible for individual assistance. All children in schools, service institutions, and summer camps which participate in the program may benefit from food donations.
Formula requirements	Not applicable to food donations. Formula grants allocated on basis of average per capita income and numbers of needy in program areas. No matching funds required, but States and localities are expected to bear cost of program administration (aside from the additional contribution made by the formula grants).
Subsidy cost	Fiscal year 1970, $558,376,000; fiscal year 1971, $577,932,000; fiscal year 1972, $605,928,563; fiscal year 1973, $499,052,289; fiscal year 1974, $515,276,000; fiscal year 1975, $301,169,000.

FOOD STAMPS

Administering agency	Food and Nutrition Service, Department of Agriculture.
Identification	Authorization: The Food Stamp Act of 1964; Public Law 88–525; 78 Stat. 703, 7 U.S.C. 2011–2025 (1964), as amended. Public Law 90–91; 81 Stat. 228; Public Law 90–552; 82 Stat. 958; Public Law 91–116; 83 Stat. 191; Public Law 91–671; 84 Stat. 2048; Public Law 92–603; 86 Stat. 1329; Public Law 93–86; 87 Stat. 247; Public Law 93–233; 87 Stat. 947. Budget account: 05–84–3505–0–1–703. CFDA: 10.551.

Objectives---------- This program improves the diets of low-income households and expands the market for domestically produced foods by supplementing the food purchasing power of eligible low-income families.

Financial form------- Benefits-in-kind. Families buy stamps or "coupons" worth more than the purchase amount which varies according to income and family size. The coupons are used for food in retail stores. The coupons may be used to buy any food for human consumption, except for items labeled as imported. Almost all grocery stores in food stamp areas are authorized to accept the coupons.

Direct recipient------- Families may participate if they live in an area that has the program, are found by local welfare officials to be in need of food assistance, are receiving some form of welfare assistance, and are unemployed, part-time employed, working for low wages, or living on limited pensions. If families are not receiving welfare assistance, eligibility is based on family size and income, and their level of resources.

Formula requirements-- Federal Government pays 100 percent of the cost of bonus coupons. State and/or county pays approximately 37½ percent of administering cost for certifying non-public-assistance households, and for hearing officials and Outreach efforts, and 100 percent of the cost of issuing the coupons.

Subsidy cost---------- Fiscal year 1970, $551,000,000; fiscal year 1971, $1,523,055,857; fiscal year 1972, $1,842,542,432; fiscal year 1973, $2,207,532,000; fiscal year 1974, $2,845,698,000; fiscal year 1975, $3,984,919,000.

SPECIAL FOOD SERVICE

Administering agency-- Food and Nutrition Service, Department of Agriculture.

Identification-------- Authorization: National School Lunch Act, as amended; Public Law 90–302.
Budget account: 05–84–3539–0–1–703.
CFDA: 10.552.

Objectives---------- This program provides commodities and cash grants to assist States to initiate, maintain, or expand nonprofit food service programs for children in service institutions, to improve the nutritional status of both preschool and school-age children. Federally appropriated special food service program for children funds are available to reimburse eligible institutions (day-care centers, settlement houses, recreation centers, and day camps) for food purchased for up to three complete meals and two supplemental meals daily. Financial help is also available to buy or rent necessary equipment.

Financial form------- Benefits-in-kind.

Direct recipient------- Children who are in attendance at institutions participating in the program. Institutions participating are public and nonprofit private institutions such as day-care centers, settlement houses, and recreation centers that provide day care for children from low-income areas, or from areas with many working mothers may apply, and also institutions providing day care for handicapped children.

Formula requirements-- Any funds made available by the State agency or the Food and Nutrition Service regional office, to service institutions for the purchase or rental of equipment shall be upon the condition that the institution shall bear at least one-fourth of the purchase or rental cost of equipment financed. Each State shall be apportioned not more than $50,000, as a basic grant. In addition, from the funds remaining after the basic grants have been made, each State shall be apportioned an amount which bears the same ratio to such remaining funds as the number of children in that State aged 3 to 17, inclusive, in families with incomes of less than $3,000 per annum bears to the total number of such children in all States.

Subsidy cost---------- Fiscal year 1970, $7,258,000; fiscal year 1971, $20,967,000; fiscal year 1972, $42,583,000; fiscal year 1973, $54,097,833; fiscal year 1974, $93,916,000; fiscal year 1975, $109,600,000.

SCHOOL BREAKFASTS

Administering agency-- Food and Nutrition Service, Department of Agriculture.

Identification-------- Authorization: Child Nutrition Act of 1966 as amended.
Public Law 89–642, 80 Stat. 886, 42 U.S.C. 1773;
Public Law 90–302, 82 Stat. 119, 42 U.S.C. 1773;
Public Law 91–248, 84 Stat. 214, 42 U.S.C. 1773;
Public Law 92–32, 85 Stat. 85, 42 U.S.C. 1773;
Public Law 92–433, 86 Stat. 724.
Budget Account: 05–84–3539–0–1–703.
CFDA: 10.553.

Objectives---------- To provide breakfasts to improve child nutrition.

Financial form-------- Benefits-in-kind.

Direct recipient------- Schools draw attendance from areas in which poor economic conditions exist and schools to which attending children must travel a long distance receive primary consideration and, if funds permit, other schools may participate. All children attending schools in which the breakfast program is operating may participate. Breakfast is served free or at a reduced price to children who are determined by local school authorities to be unable to pay the full price. Children who are able to pay the full price are expected to do so.

Formula requirements-- The 50 States, District of Columbia, and Puerto Rico are initially given $50,000 each as basic apportionment. Guam, Virgin Islands, American Samoa are given $15,000 each. The total of these amounts ($2,645,000) is deducted from the total appropriation which is apportioned in the same manner as section 4 funds under the National School Lunch Program, but based on the number of breakfasts served in each State. Beginning in fiscal year 1974, funding will be on a performance basis and the apportionment formula will not be issued.

Subsidy cost---------- Fiscal year 1970, $10,877,000; fiscal year 1971, $20,162,000; fiscal year 1972, $26,541,000; fiscal year 1973, $37,002,209; fiscal year 1974, $70,119,000; fiscal year 1975, $77,000,000.

NONFOOD SERVICE ASSISTANCE

Administering agency	Food and Nutrition Service, Department of Agriculture.
Identification	Authorization: Child Nutrition Act of 1966 as amended, Public Law 89–642, 80 Stat. 887, 42 U.S.C. 1774; Public Law 91–248, 84 Stat. 208, 42 U.S.C. 1774; Public Law 92–433, 86 Stat. 727. Budget Account: 05–84–3539–0–1–703. CFDA: 10.554.
Objectives	This program provides States with grants-in-aid to supply schools in low-income areas with equipment for storing, preparing, transporting, and serving food to children.
Financial form	Benefits-in-kind.
Direct recipient	Schools receive cash assistance that is turned into benefit-in-kind food services going to school children under both the school lunch and school breakfast programs.
Formula requirements	Fifty percent of the total funds available are apportioned based on the number of lunches served which met meal requirements for the preceding fiscal year as a percentage of the national total for such meals under section 4 of the National School Lunch Act. The remaining 50 percent of children in schools without a food service in all States. During any fiscal year, payments made by FNS to each State agency, and the payment made by FNS to the nonprofit private schools in any State, shall be upon the condition that at least one-fourth of the cost of all equipment financed under this part shall be borne from sources within the State. Funds from sources within the State shall include any source of State or local funds other than Federal grants and children's payments obtained by the school through any of its nonprofit food services.
Subsidy cost	Fiscal year 1970, $16,715,000; fiscal year 1971, $37,159,000; fiscal year 1972, $17,797,000; fiscal year 1973, $16,032,058; fiscal year 1974, $28,110,000; fiscal year 1975, $22,000,000.

SCHOOL LUNCH PROGRAM

Administering agency	Food and Nutrition Service, Department of Agriculture.
Identification	Authorization: National School Lunch Act of 1946, as amended. Public Law 79–396, 60 Stat. 230, 42 U.S.C. 1751; Public Law 87–823, 76 Stat. 944, 42 U.S.C. 1752; Public Law 91–248, 84 Stat. 208, 42 U.S.C. 1752; Public Law 92–153, 85 Stat. 419, 420, 42 U.S.C. 1753; Public Law 92–433, 86 Stat. 726. Budget Account: 05–84–3539–0–1–703. CFDA: 10.555.
Objectives	This program provides commodity and cash grants to State educational agencies to assist them in helping schools provide adequate school lunches. This helps to safeguard the health and well-being of children and to encourage the domestic consumption of nutritious agricultural commodities.
Financial form	Benefits-in-kind.
Direct recipient	Children of high school age and under who are in attendance at schools participating in the program. Schools desiring to participate must agree to operate a nonprofit lunch program which is available to all children regardless of race, color, creed, or national origin. Lunches must be served free or at a reduced price to children who are determined by local school authorities to be unable to pay the full price for their lunches.

Formula requirements-- Federal funds made available for general cash for food assistance in accordance with section 4 of the act on a performance basis at a rate of not less than 10 cents per meal for all meals served under the program. Federal funds are made available for special cash assistance in accordance with section 11 of the act on a performance basis at a rate of not less than 45 cents per free meal and not less than 35 cents per reduced price meal. Section 4 must be matched by $3 of funds from within the State for each $1 of Federal funds except that States having an average per capita income of less than the national average per capita income are allowed to match Federal funds at a lesser rate. Funds from within the State may include funds derived from State and local tax revenues which are used for food service programs and funds received from children for lunch payments. For the fiscal year beginning July 1, 1973, and for the succeeding fiscal year, State revenue (other than revenues derived from the program) appropriated or specifically reserved and used for program purposes (other than salaries and administrative expenses at the State as distinguished from the local level), shall constitute at least 6 percent of the matching requirement for the preceding fiscal year. This State revenue matching percentage will be raised to 8 percent and then to 10 percent at 2 year intervals.

Subsidy cost---------- Fiscal year 1970, $300,793,000; fiscal year 1971, $599,313,000; fiscal year 1972, $817,948,000; fiscal year 1973, $938,922,116; fiscal year 1974, $1,157,-851,000; fiscal year 1975, $1,212,325,000.

SCHOOL MILK PROGRAM

Administering agency-- Food and Nutrition Service, Department of Agriculture.

Identification--------- Authorization: Child Nutrition Act of 1966, as amended, Public Law 91-295; 84 Stat, 336; 42 U.S.C. 1772.
Budget account: 05-84-3502-0-1-703.
CFDA: 10.556.

Objectives---------- This program provides assistance in the form of reimbursement payments to encourage consumption of fluid whole milk by children in public and nonprofit private schools of high school grade and under, nonprofit nursery schools, child care centers, settlement houses, summer camps, and similar nonprofit institutions that provide for the care and training of children.

Financial form-------- Benefits-in-kind.

Direct recipient------- All children attending schools and institutions in which the special milk program is an operation may participate in the program. All public and nonprofit private schools of high school grade and under are eligible to participate. Also nonprofit child care institutions such as nursery schools, child care centers, settlement houses, and summer camps are eligible for assistance under this program.

Formula requirements- The funds apportioned to each State are based on the amount of money each State spent the previous year. The percent of the prior years' total expenditures in relation to the amount currently available for apportionment is applied to each State's expenditure for the prior year. There are no matching provisions, but the cost of milk in excess of the Federal reimbursement must be borne by sources within the States.

Subsidy cost	Fiscal year 1970, $101,527,000; fiscal year 1971, $92,640,000; fiscal year 1972, $95,027,000; fiscal year 1973, $94,767,255; fiscal year 1974, $98,360,000; fiscal year 1975, $119,170,000.

EMERGENCY FOOD AND MEDICAL SERVICES

Administering agency	Office of Economic Opportunity.
Identification	Authorization: The Economic Opportunity Act of 1964, as amended by Public Law 91–177, Section 105; 42 U.S.C. 2809. Public Law 88–452. Budget account: 04–37–0500–0–1–999. CFDA: 49.005.
Objectives	To organize comprehensive efforts, in local communities, to provide adequate nutrition for all poor persons. Project grants may be used for: developing new food assistance programs; expanding existing programs, providing transportation to centers, providing medical services to those suffering malnutrition, and so on.
Financial form	Benefits-in-kind.
Direct recipient	Individuals of families who are eligible to receive services from other local OEO supported programs.
Subsidy costs	Fiscal year 1970, $0; fiscal year 1971, $48,600,000; fiscal year 1972, program ended.

SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN

Administering agency	Food and Nutrition Service, Department of Agriculture.
Identification	Authorization: Child Nutrition Act of 1966 as amended, 42 U.S.C. 1771 et seq. Public Law 92–433; section 17 of Child Nutrition Act of 1966, as amended, 86 Stat. 729. Budget account: 05–81–5209–0–2–351. CFDA: 10.557.
Objective	To supply nutritious foods to participants identified to be nutritional risks. Another major objective is to correct and evaluate data which will medically identify benefits of this food intervention program. Data will also be collected and analyzed to measure the administrative efficiencies of various methods of making food available to participants.
Financial form	Benefits-in-kind.
Direct recipient	Pregnant or lactating women, infants, and children shall be eligible if: (*a*) they reside in an approved project area; (*b*) they are eligible for treatment at less than the customary full charge for such services by the local agency; and (*c*) they are determined by a competent professional on the staff of the local agency to need supplemental foods.
Formula requirements	Grants are allocated on the basis of number of participants, food costs, administrative and clinic budgets for each applicant, and State administrative costs involved. No matching funds are required, but States and local agencies are expected to bear the administrative costs in excess of 10 percent of the total grant.
Subsidy cost	Fiscal year 1970–1973, $0; fiscal year 1974, $40,000,000; fiscal year 1975, $40,000,000.

MEDICAL CARE

GROSS BUDGETARY COSTS OF FEDERAL MEDICAL CARE SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
National Institutes of Health training programs	149	150	7	9	7	5
Mental health fellowships and grants	118	116	115	74	126	64
Health manpower training	202	182	266	290	306	237
Community nursing home care	20	19	24	28	46	52
Health manpower education initiative award	0	0	0	42	47	35
Health professions grants	0	0	47	83	64	47
Construction of State nursing homes	2	4	1	5	8	9
Health facilities construction (Hill-Burton)	201	90	187	159	251	189
Health professions facilities construction	146	125	0	0	0	0
Tax subsidies:						
Deductibility of medical expense	1,700	1,700	1,900	1,900	2,100	2,300
Medical insurance	1,450	1,450	2,000	2,500	3,000	3,500
Credit subsidies:						
Medical facility construction	3	7	−13	−25	1	0
Nursing school construction	1	−1	−3	29	32	26
Benefit-in-kind:						
Medical assistance program (Medicaid)	2,638	3,374	4,367	4,998	5,659	6,592
Health insurance for the aged (Medicare)	1,979	2,035	2,255	2,391	2,966	3,586
Total, order of magnitude [1]	8,609	9,251	11,153	12,483	14,613	16,642

[1] Individual items may not add to totals due to rounding error.

NATIONAL INSTITUTES OF HEALTH TRAINING

Administering agency	National Institutes of Health, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, Title IV, pts. A–F and Title III, pts. I and J; Public Law 90–602. Budget account: 09–35–0712–0–1–651. CFDA: 13.319, 13.329, 13.300, 13.302, 13.307, 13.308, 13.310, 13.311, 13.316, 13.318, 13.334, 13.336, 13.353, 13.354, 13.355, 13.357, 13.367, 13.368, 13.373.
Objectives	In order to increase the supply and improve the quality of health manpower most of the National Institutes of Health offer a limited number of fellowships and training grants to individuals seeking training in the Institute's area of specialization. Institutes having such programs include the Allergy and Infectious Disease Institute, Arthritis and Metabolic Disease Institute, Cancer Institute, Child Health and Human Development Institute, General Medical Science Institute, Institute of Environmental Sciences, Neurological Diseases and Stroke Institute, and the National Library of Medicine. The programs may focus upon a particular area within the scope of the Institute or it may encompass training and education within the full range of each Institute's area of specialization. Excluded from consideration here are those programs which are primarily for research.
Financial form	Direct cash payments.
Direct recipient	The direct recipient will vary among the programs. In most cases the grant is made directly to a public or private nonprofit institution which provides the approved education or training. Where the program involves postdoctoral training the funds may be used by the institution to pay the salary of the trainee. A few programs provide money directly to the trainee who only need be sponsored by an approved institution.
Subsidy costs	Fiscal year 1970, $149,428,000; fiscal year 1971, $149,589,000; fiscal year 1972, $7,358,000; fiscal year 1973, $9,243,000; fiscal year 1974, $7,188,000; fiscal year 1975, $5,188,000.

MENTAL HEALTH TRAINING AND EDUCATION

Administering agency	Health Services and Mental Health Administration, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, Public Law 90–602; secs. 301, 303, 433; 42 U.S.C. 241, 242a, 289c. Budget account: 09–20–0363–0–1–650. CFDA: 13.241 and 13.244.
Objectives	To increase the number and improve the quality of people working directly in the mental health field or those engaged in training mental health workers. Special emphasis is given to innovative training projects training mental health workers for projects in alcoholism, drug abuse, crime and delinquency, and suicide prevention.
Financial form	Direct cash payments. In one program the funds are transferred to the institution which selects the applicants eligible for stipends (in accordance with guidelines established for that purpose). In the other program the funds are paid directly to the trainee who need only be sponsored by an appropriate educational institution.

Direct recipient	Public and nonprofit institutions providing training and education in the field of mental health and the trainee himself. The stipends must be awarded to U.S. citizens or persons lawfully admitted for permanent residence.
Subsidy costs	Fiscal year 1970, $118,335,000; fiscal year 1971, $115,737,000; fiscal year 1972, $115,076,248; fiscal year 1973, $74,329,091; fiscal year 1974, $125,611,000; fiscal year 1975, $63,501,000.

HEALTH MANPOWER TRAINING

Administering agency	National Institutes of Health, Department of Health, Education, and Welfare.
Identification	Authorization: Health Professions Educational Assistance Amendments of 1965, Public Law 89–290; as amended by the Health Manpower Act of 1968; Public Law 90–409; 42 U.S.C. 292–98, 42 U.S.C. 241–42. Budget account: 09–35–0712–0–1–651. CFDA: 13.263, 13.338, 13.339, 13.341, 13.359, 13.233, 13.358, 13.360, 13.362. 13.363, 13.366, 13.370, 13,342, 13.361, 13.364, 13.305, 13.260.
Objectives	These programs are designed to increase the supply and improve the quality of the Nation's health manpower by providing financial assistance to health profession institutions and their students. The programs are grouped around four general classifications of health manpower: medical, dental and related health professions, nursing education, public health education, and allied health (mostly paramedical education). Within each general area of health manpower training there are programs which provide assistance directly to the students either as grants, fellowships, or loans; and other programs which provide assistance directly to the institution for use in meeting general educational costs. In addition funds are provided in some areas for special projects involving innovation and experimentation of educational techniques.
Financial form	Direct cash payments.
Direct recipient	Depending on the nature of the individual program, either the student enrolled in the educational program or the public or nonprofit private accredited medical education institution receives cash payments for the specified educational use.
Subsidy costs	Fiscal year 1970, $201,727,499; fiscal year 1971, $181,936,433; fiscal year 1972, $265,728,661; fiscal year 1973, $289,655,278; fiscal year 1974, $306,276,000; fiscal year 1975, $236,882,000.

COMMUNITY NURSING HOME CARE

Administering agency	Department of Medicine and Surgery; Veterans' Administration.
Identification	Authorization: Public Law 88–450; 38 U.S.C. 620. Budget account: 29–00–0160–0–1–804. CFDA: 64.002.
Objectives	To provide service-connected veterans with nursing home care and to aid the veteran, his family, and the community in making the transition from a hospital to a community care facility. It provides time at VA expense to marshal resources for the veteran's continued care.
Financial form	Direct payments.

Direct recipients	The veteran must: (1) have a service-connected condition requiring NHC, or (2) be a patient in a VA hospital, (3) be a patient in a non-VA hospital in the States of Alaska and Hawaii, (4) be a person who upon discharge from an Armed Forces hospital will become a veteran, or (5) have been furnished hospital care in the Republic of the Philippines at VA expense, and who has reached maximum hospital benefits from hospitalization but requires skilled nursing care.
Subsidy costs	Fiscal year 1970, $19,515,000; fiscal year 1971, $19,264,000; fiscal year 1972, $23,617,000; fiscal year 1973, $28,205,000; fiscal year 1974, $45,560,000; fiscal year 1975, $51,818,000.

HEALTH MANPOWER EDUCATION INITIATIVE AWARDS

Administering agency	Federal Agency: Health Resources Administration, Public Health Service, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, section 774 (a) and (b), as amended by the Comprehensive Health Manpower Training Act of 1971; Public Law 92–157. Budget account: 09–35–0712–0–1–651. CFDA: 13.380.
Objectives	To improve the distribution, supply, quality, utilization and efficiency of health personnel and the health services delivery system and to recruit into the health professions (1) students likely to practice in areas with shortages of health personnel and (2) students who are financially or otherwise dissadvantaged.
Financial form	Direct payments.
Direct recipient	Projects are intended to benefit socioeconomically disadvantaged students, students likely to practice in a shortage area, and recipients of health care by improving the quality, supply and distribution of health care.
Subsidy costs	Fiscal year 1970–71, $0 (new program); fiscal year 1972, $240,686; fiscal year 1973, $42,000,000; fiscal year 1974, $46,500,000; fiscal year 1975, $34,575,000.

HEALTH PROFESSIONS GRANTS

Administering agency	Federal Agency: Health Resources Administration, Public Health Service, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, sections 771, 772, and 773, part E, Title VIIj, as amended; 85 Stat. 443, 445, 446. Budget account: 09–35–0712–0–1–651. CFDA: 13.381, 13.383, 13.384.
Objectives	To assist health professions schools to increase enrollments as well as to enable schools to experiment with programs designed to increase the quality of trained personnel. To assist schools of medicine, osteopathy, dentistry, optometry, pharmacy, podiatry, and veterinary medicine which are in serious financial straits to meet costs of operation, or which have special need to meet accreditation requirements. To assist 2-year schools of medicine which intend to become accredited to confer the degree of doctor of medicine; and to assist new schools of medicine, osteopathy and dentistry to accelerate start of instruction or increase size of entering class.

Financial form	Direct payments.
Direct recipient	Schools of medicine, osteopathy, dentistry, optometry, pharmacy, podiatry, and veterinary medicine, which are accredited by agencies recognized by the Commissioner of Education, or have a letter of reasonable assurance of accreditation from the Commissioner of Education. For conversion, public and nonprofit accredited 2-years of medicine. In addition, the Commissioner of Education must find reasonable assurance of accreditation following graduation of first class after conversion to M.D. degree granting school.
Formula grants	During the year grant is made, the school must expend funds from non-Federal sources in an amount equal to at least the average funds expended annually in the 3 years immediately preceding the year in which the financial distress grant is requested (unless waived by the Secretary). The amount of a conversion grant will be equal to $50,000 times the estimated number of full-time third year students which will be initially enrolled in the school. For startup, statutory maximums are specified for each of the 4 years of support.
Subsidy costs	Fiscal years 1970–71, $0 (new program); fiscal year 1972, $47,396,651; fiscal year 1973, $83,086,179; fiscal year 1974, $63,783,615; fiscal year 1975, $47,283,000.

GRANTS TO STATES FOR CONSTRUCTION OF STATE NURSING HOME CARE FACILITIES

Administering agency	Department of Medicine and Surgery, Veterans' Administration.
Identification	Authorization: Public Laws 88–450, 89–311, 90–432, and 93–82, 38 U.S.C. 5035–5037. Budget account: 29–00–0181–0–1–804. CFDA: 64.005.
Objectives	To assist States in the construction of State home facilities furnishing nursing home care to war veterans.
Financial form	Direct payments (benefits-in-kind).
Direct recipient	Funds go to States which then provide services to war veterans who meet State admission criteria which include residence in the State for a specific period.
Formula grants	Federal participation is up to 65 percent of total project cost, with State providing the remainder.
Subsidy costs	Fiscal year 1970, $2,230,200; fiscal year 1971, $4,072,500; fiscal year 1972, $463,000; fiscal year 1973, $4,598,000; fiscal year 1974, $8,209,000; fiscal year 1975, $9,026,000.

HEALTH FACILITIES CONSTRUCTION GRANTS

(Hill-Burton)

Administering agency	Health Services and Mental Health Administration, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, title VI, Public Law 88–443 as amended by Public Law 91–296; 42 U.S.C. 291. Budget account: 09–20–0321–0–1–651. CFDA: 13.220.
Objectives	To assist the States in planning for and providing hospitals, public health centers, State health laboratories, outpatient facilities, emergency rooms, neighborhood health centers, long-term care facilities (nursing homes, chronic disease hospitals and long-term units of hospitals), rehabilitation facilities, and other related health facilities.

Financial form	Direct cash payments.
Direct recipient	Grants to State and local governments, hospital districts or authorities and private nonprofit organizations whose proposed construction of health facilities is consistent with State plan for health facilities and is approved by a regional office of HEW. Approximately 44 percent of the funds are granted to public institutions, the rest private.
Subsidy costs	Fiscal year 1970, $200,576,000; fiscal year 1971, $89,775,000; fiscal year 1972, $186,765,000; fiscal year 1973, $158,943,000; fiscal year 1974, $250,833,000; fiscal year 1975, $188,552,000.

HEALTH PROFESSIONS FACILITIES CONSTRUCTION

Administering agency	National Institutes of Health, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, title VIII, part B; Health Professions Educational Assistance Act of 1963, Public Law 99–129 and related statutes. Budget account: 09–30–0812–0–1–651. CFDA: 13.340.
Objectives	In order to increase the Nation's supply of medical care, including health manpower, assistance is provided for the construction of new educational facilities and the expansion of existing facilities.
Direct recipient	Public and nonprofit schools, agencies, and organizations which provide instruction in medicine, denistry, osteopathy, optometry, public health, pharmacy, podiatry, nursing, and veterinary medicine are eligible for grants. Prior to funding under the program, the school must demonstrate that (1) the teaching program is accredited by the appropriate national professional association; (2) it has the required matching funds; and (3) it has clear title or leasehold interest in the site.
Financial form	Direct cash payments.
Subsidy costs	Fiscal year 1970, $146,000,000; fiscal year 1971, $125,245,095; 1972, program converted to interest subsidy program.

DEDUCTIBILITY OF MEDICAL EXPENSE

Authorization	Section 213—medical, dental, and so forth, expenses.
Financial form	Tax subsidies.
Description	Medical expenses in excess of 3 percent of adjusted gross income and expenditures for prescribed drugs and medicines in excess of 1 percent of adjusted gross income may be deducted by individuals as itemized nonbusiness deductions. Individuals may also deduct half of the premiums paid for medical-care insurance up to a maximum deduction of $150 per year, without regard to the 3-percent limitations. The deduction beyond 3 percent of medical costs incurred may in large part be a welfare payment designed to protect taxpayers against prohibitively expensive illnesses: the provision has often been defended on these grounds. But others argue that this reduces the overall insurance costs necessary for individuals to protect themselves against such risks. Moreover, the right of individuals to deduct a portion of the costs of insurance premiums is a clear subsidy.
Subsidy costs	Fiscal year 1970, $1,700,000,000; fiscal year 1971, $1,700,000,000; fiscal year 1972, $1,900,000,000; fiscal year 1973, $1,900,000,000; fiscal year 1974, $2,100,000,000; fiscal year 1975, $2,300,000,000.

MEDICAL INSURANCE PREMIUMS AND MEDICAL CARE

Authorization	Section 104—compensation for injuries and sickness. Section 105—amounts received under accident and health plans. Section 106—contributions by employer to accident and health plans.
Financial form	Tax subsidies.
Description	With certain limitations on the maximum values and means of provision, an employer may deduct the costs of providing medical and accident insurance and medical care for his employees and they may exclude such benefits from their total taxable income.
Subsidy costs	Fiscal year 1970, $1,450,000,000; fiscal year 1971, $1,450,000,000; fiscal year 1972, $2,000,000,000; fiscal year 1973, $2,500,000,000; fiscal year 1974, $3,000,000,000; fiscal year 1975, $3,500,000,000.

MEDICAL FACILITIES LOANS

Administering agency	Health Resources Administration, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, as amended. Budget account: 09–35–4430–0–3–651. CFDA: Not listed.
Objectives	This is a loan guarantee and loan fund established in the Treasury to discharge responsibilities under guarantees; for payment of interest on the loans to nonprofit sponsors which are guaranteed; for direct loans to public agencies which are sold and guaranteed; for payment of interest on direct loans which are sold and guaranteed, and for repurchase of direct loans which have been sold and guaranteed.
Financial form	Direct and guaranteed loans.
Interest rate and maturity.	Varies with the type of loan. Generally, the direct loans have been made for 50 years at 2.5 percent interest in 1970–71, 25 years at 3 percent interest in 1972, and 25 years at 5.3 percent in 1973–75. The guaranteed loans have been made for 25 years at 2.5 percent interest in 1970–71 and 25 years at 7.7 percent interest in 1972–75.
Subsidy costs	Fiscal year 1970, $3,320,000; fiscal year 1971, $6,840,000; fiscal year 1972, $13,400,000; fiscal year 1973, —$25,300,000; fiscal year 1974, $1,090,000; fiscal year 1975, $0.

NURSING SCHOOL CONSTRUCTION

Administering Agency	Health Resources Administration, Public Health Service, Department of Health, Education, and Welfare.
Identification	Authorization: Public Health Service Act, Title VIII, Section 809, Public Law 78–410, as amended, Nursing Training Act of 1971, Public Law 92–158, 42 U.S.C. 783. Budget account: 09–35–0712–0–1–651. CFDA: 13.369.
Objectives	To increase the number of nurses and improve the quality of nursing education by providing guarantees of up to 90 percent of non-Federal construction loans to nonprivate nursing schools.
Financial form	Guaranteed/Insured Loans
Direct recipient	Accredited nonprofit, private nursing schools which provide either a collegiate, associate degree, or diploma program.
Interest rate and maturity.	Fiscal years 1970–72, 6.38 percent, 20 years; fiscal years 1973–75, 2.5 percent, 50 years.
Subsidy costs	Fiscal year 1970, $1,250,000; fiscal year 1971, $1,300,000; fiscal year 1972, $2,650,000; fiscal year 1973, $29,320,000; fiscal year 1794, $32,070,000; fiscal year 1975, $26,090,000.

MEDICAL ASSISTANCE PROGRAM (MEDICAID)

Administering agency	Social and Rehabilitation Service, Department of Health, Education, and Welfare.
Identification	Authorization: Title XIX, Social Security Act as amended; Public Law 89–97; Public Law 90–248; Public Law 91–56; 42 U.S.C. 1396, et seq. Public Law 92–223; Public Law 92–603. Budget account: 09–50–0581–0–1–652. CFDA: 13.714.
Objectives	To provide financial assistance to States for payments of medical assistance on behalf of cash assistance recipients and, in certain States, on behalf of other medically needy, who, except for income and resources, are categorically eligible.
Financial form	Benefits-in-kind.
Direct recipient	Any needy individual may apply to a State or local welfare agency for medical assistance. Eligibility is determined by the State in accordance with Federal regulations.
Formula grants	Federal funds are available to match State expenditures for medical care provided under the State plan; the Federal share ranges from 50 percent to 83 percent according to a formula based upon the relation of State per capita income to national per capita income.
Subsidy costs	Fiscal year 1970, $2,637,968,149; fiscal year 1971, $3,373,866,000; fiscal year 1972, $4,366,602,000; fiscal year 1973, $4,997,686,000; fiscal year 1974, $5,659,089,000; fiscal year 1975, $6,592,134,000.

HEALTH INSURANCE FOR THE AGED

Supplementary Medical Insurance (Medicare)

Administering agency	Social Security Administration, Department of Health, Education, and Welfare.
Identification	Authorization: Social Security Amendments of 1965, title XVIII, pt. B; Public Law 89–97 as amended by Public Law 90–248; 42 U.S.C. 1395 et seq. Budget account: 09–60–8004–0–7–652. CFDA: 13.801.
Objectives	Provides protection against the costs of health care to persons 65 or over who elect this coverage. The medical services covered in this program are broader than those covered in the medicare program (CFDA 13.800), and do not necessarily require the patient to be hospitalized.
Financial form	Benefits-in-kind. The regular medicare insurance is provided without charge and funded through a self-financing trust fund. In the supplemental program an enrollee pays a monthly premium of $5.30 (increased to $5.60 effective July 1971) and the aggregate of these premiums is matched by appropriations from Federal funds.
Direct recipient	Nearly everyone 65 or over can apply for medical coverage (during specified enrollment periods). This program, like medicare, provides medical insurance to the aged. It is, however, supplemental to the regular medical care program in that the insurance coverage it provides is broader and more extensive.
Subsidy costs	Fiscal year 1970, $1,979,000,000; fiscal year 1971, $2,034,939,000; fiscal year 1972, $2,254,820,000; fiscal year 1973, $2,391,128,000; fiscal year 1974, $2,966,000,000; fiscal year 1975, $3,586,000,000.

MANPOWER

GROSS BUDGETARY COSTS OF FEDERAL MANPOWER SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
Rehabilitation services and facilities	436	502	560	589	630	670
Apprenticeship outreach	5	7	12	4	9	9
Job opportunities in the business sector	173	169	97	73	63	90
Operation Mainstream	51	72	21	23	20	20
Work incentive program	86	71	184	209	250	190
On the job training	14	20	21	16	14	14
Migrant workers	0	3	13	8	45	53
Manpower revenue sharing	0	0	0	1,357	1,889	2,008
Air pollution training grants	3	3	8	2	2	1
Vocational rehabilitation for disabled veterans	42	59	65	72	71	75
Public assistance—State and local training	32	44	33	36	42	33
Concentrated employment program	187	167	173	(2)	(2)	(2)
Cooperative area manpower planning system	6	7	11	(2)	(2)	(2)
Manpower development training	308	332	324	(2)	(2)	(2)
Neighborhood Youth Corps	353	426	362	(2)	(2)	(2)
Public service carriers	87	92	5	5	2	(2)
Jobs Corps	170	160	200	193	150	171
Tax subsidies: Exclusion of military benefits and allowances	550	500	650	700	700	700
Benefit-in-kind subsidies:						
Federal employment for disadvantaged youth:						
Part-time	28	35	46	37	36	36
Summer	24	39	39	36	31	32
Emergency employment assistance	0	0	976	1,263	9	(2)
Total, order of magnitude [1]	2,555	2,708	3,800	4,618	3,963	4,102

[1] Individual items may not add to totals due to rounding errors.
[2] Included in manpower revenue sharing.

REHABILITATION SERVICES AND FACILITIES—BASIC SUPPORT

Administering agency	Social and Rehabilitation Service, Department of Health, Education, and Welfare.
Identification	Authorization: Vocational Rehabilitation Act, as amended; 29 U.S.C. Chap. 4; Randolph-Sheppard Act 20 U.S.C. Chap. 6A and 29 U.S.C. 32 and 47. Budget account: 09–50–0508–0–1–703. CFDA: 13.746.
Objectives	To provide vocational rehabilitation services to persons with mental and physical handicaps. Federal and State funds are used to cover the costs of providing rehabilitation services which include: diagnosis, comprehensive evaluation, counseling; training, reader services for the blind, interpreter services for the deaf, and employment placement. Also assist with payment for medical and related services and prosthetic and orthotic devices, transportation to secure vocational rehabilitation services, maintenance during rehabilitation, tools, licenses, equipment, supplies, and other goods and services; vending stands for handicapped persons, including management and supervisory services; and assistance in the construction and establishment of rehabilitation facilities. Services are provided to families of handicapped individuals when such services will contribute substantially to the rehabilitation of such individuals who are being provided vocational rehabilitation services.
Financial form	Direct payments.
Direct recipient	State agencies administer the vocational rehabilitation services based on the presence of a physical or mental disability, the existence of a substantial handicap to employment, and a reasonable expectation that vocational rehabilitation services may render the individual fit to engage in a gainful occupation.
Subsidy costs	Fiscal year 1970, $435,999,044; fiscal year 1971, $502,399,083; fiscal year 1972, $560,000,000; fiscal year 1973, $589,000,000; fiscal year 1974, $630,000,000; fiscal year 1975, $670,000,000.

APPRENTICESHIP OUTREACH

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Manpower Development and Training Act of 1962, as amended; Public Law 87–415; 42 U.S.C. 2571–2628. Budget account: 12–05–0172–0–1–607. CFDA: 17.200.
Objectives	To seek out qualified applicants from minority groups and to assist them in entering apprenticeship programs, primarily in the construction trades. To promote the employment of minorities and also to locate, motivate, guide, and assist minorities to enter registered apprenticeship training programs.
Financial form	Direct payments (benefits-in-kind).
Direct recipient	Any person who wants to pursue job opportunities that are available through apprenticeable occupations.
Subsidy costs	Fiscal year 1970, $5,000,000; fiscal year 1971, $6,500,000; fiscal year 1972, $12,000,000; fiscal year 1973, $3,836,000; fiscal year 1974, $9,300,000; fiscal year 1975, $9,400,000.

JOB OPPORTUNITIES IN THE BUSINESS SECTOR

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: 42 U.S.C. 2571–2620. Public Law 90–636. Budget account: 12–05–0174–0–1–607. CFDA: 17.212.
Objectives	To stimulate private industry's interest in hiring and retraining the disadvantaged. In cooperation with the National Alliance of Businessmen, technical assistance and encouragement is provided to employers to hire, train, and retrain disadvantaged persons. Contracts are let to offset the added costs of counseling, related education, job training, transportation, and the full range of supporting services needed to assist disadvantaged individuals to become productive workers.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	All private sector companies, regardless of size, are eligible to participate in this program. A special JOBS Optional component (formerly the MDTA–OJT program) is utilized by smaller employers who cannot provide a wide range of supportive services. Trainees are those poor persons who do not have suitable employment and who are either (1) school dropouts, (2) under 22 years of age, (3) 45 years of age or over, (4) handicapped, or (5) subject to special obstacles to employment.
Subsidy cost	Fiscal year 1970, $172,600,000; fiscal year 1971, $169,051,000; fiscal year 1972, $96,712,000; fiscal year 1973, $72,914,000; fiscal year 1974, $62,800,000; fiscal year 1975, $90,000,000.

OPERATION MAINSTREAM

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Economic Opportunity Act of 1964, as amended, title 1B, section 123a(3), and title 1E, Sec. 162a(1). Budget account: 12–05–0174–0–1–607. CFDA: 17.223.
Objectives	Provides work-training and employment activities, with necessary supportive services, for chronically unemployed poor adults who have poor employment prospects and are unable, because of age, lack of employment opportunity, or otherwise, to secure appropriate employment or training assistance under other programs.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	State and local government agencies and private nonprofit organizations may sponsor projects under this program. Emphasis is placed on establishing projects in rural areas or towns. Trainees are adults 22 years of age or older who are chronically unemployed and have annual family income below the poverty line. Forty percent of enrollment must be adults 55 years of age or older.
Formula requirements	The Federal Government will finance up to 90 percent of the cost of these projects. The local sponsor's share may be in cash or in kind (facilities equipment, services provided, and supplies).
Subsidy cost	Fiscal year 1970, $51,000,000; fiscal year 1971, $71,550,000; fiscal year 1972, $21,100,000; fiscal year 1973, $22,788,000; fiscal year 1974, $20,000,000; fiscal year 1975, $20,000,000.

WORK INCENTIVE PROGRAMS

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: The Social Security Act of 1967, as amended; Public Law 90–248, 42 U.S.C. 602. Budget account: 09–50–0576–0–1–607. CFDA: 17.226.
Objectives	To move men, women, and out of school youth, age 16 or older from the welfare rolls into meaningful permanent productive employment through appropriate training and related services. Services offered are as follows: (1) placement or on-the-job training and follow-through supportive services for the job ready; (2) work orientation, basic education, skill training, work experience and follow-through supportive services to improve employability for individuals who lack job readiness; and (3) placement in special work projects arranged by prior agreement with public or private nonprofit organizations for individuals not ready for employability development.
Financial form	Direct payments (benefits-in-kind).
Direct recipient	Welfare recipients covered by the aid to families with dependent children referred by welfare agencies to the local office of the State employment service.
Formula requirements	A maximum of 90 percent can be Federal funds with 10 percent non-Federal cash or in-kind matching.
Subsidy cost	Fiscal year 1970, $85,800,000; fiscal year 1971, $70,636,248; fiscal year 1972, $183,986,000; fiscal year 1973, $208,830,000; fiscal year 1974, $250,443,000; fiscal year 1975, $190,000,000.

NATIONAL ON-THE-JOB TRAINING

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Manpower Development and Training Act of 1962, as amended through October 24, 1968, Sec. 204(a); Public Law 87–415; 42 U.S.C. 2571 et seq. Budget account: 12–05–0174–0–1–607. CFDA: 17.228.
Objectives	To provide occupational training for unemployed and underemployed persons who cannot reasonably be expected to otherwise obtain appropriate full-time employment.
Financial form	Direct payments (benefits-in-kind).
Direct recipient	Unemployed or underemployed persons, age 16 and over, who cannot reasonably be expected to secure appropriate full-time employment without training.
Subsidy costs	Fiscal year 1970, $14,070,000; fiscal year 1971, $20,185,000; fiscal year 1972, $20,500,000; fiscal year 1973, $15,600,000; fiscal year 1974, $14,000,000; fiscal year 1975, $14,000,000.

MIGRANT WORKERS

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Manpower Development and Training Act of 1962, as amended; Public Law 87–415; 42 U.S.C. 2571 et seq. Budget account: 12–05–0174–0–1–607. CFDA: 17.230.
Objectives	To provide necessary services to help migrant families leave migrant stream and help place working members of these families in suitable jobs.
Financial form	Direct payments (benefits-in-kind).

Direct recipient	Families who participate in farmwork beyond commuting distance; who have migrated the preceeding year in search of farmwork; who desire to settle out of the migrant stream; who meet the disadvantaged criteria of the agencies involved; and who earn 50 percent of their income from farmwork.
Formula requirements	A non-Federal certification of 10 percent in cash or in kind is required. A contribution of 15 percent in cash or in kind is also required for a total of 25 percent matching.
Subsidy costs	Fiscal year 1970, $0; fiscal year 1971, $2,500,000; fiscal year 1972, $13,300,000; fiscal year 1973, $7,682,000; fiscal year 1974, $45,000,000; fiscal year 1975, $52,460,000.

COMPREHENSIVE EMPLOYMENT AND TRAINING PROGRAMS

(Manpower Revenue Sharing)

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Manpower Development and Training Act of 1962, as amended; Public Law 87–415; 42 U.S.C. 2571–2620 et seq. Publication 90–636; Economic Opportunity Act of 1964, as amended, title 1; 42 U.S.C. 2701 et seq. Budget account: 12–05–0714–0–1–607. CFDA: 17.232.
Objectives	To provide funds to plan and operate manpower programs that meet local needs.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Grants are made to units of State and local government which then provide training or employment suitable to local needs.
Formula requirements	Allocation of funds under title 1 prescribed by the legislation and administration regulations based on a formula reflecting total number of unemployed persons in all prime sponsor areas (37½ percent); number of adults in low income families (12½ percent); prime sponsor's proportion of the manpower funds obligated in the prior fiscal year. Under title II, at least 80 percent of funds allocated in accordance with a ratio comparing number of unemployed persons in prime sponsor's area to unemployed in all areas of substantial unemployment; the remainder at the Secretary's discretion taking into account severity of unemployment.
Subsidy costs	Fiscal years 1970–1972, $0, new program; fiscal year 1973, $1,357,000,000; fiscal year 1974, $1,889,000,000; fiscal year 1975, $2,008,000,000.

AIR POLLUTION MANPOWER TRAINING GRANTS

Administering agency	Office of Air and Waste Management, Environmental Protection Agency.
Identification	Authorization: Section 103 of the Clean Air Act; Public Law 88–206, as amended by Public Law 91–604; 42 U.S.C. 1857b. Budget account: 20–00–0108–0–1–404. CFDA: 66.003.
Objectives	To develop career-oriented personnel qualified to work in pollution abatement and control. Grants are awarded to assist in planning implementing and improving environmental training programs; increase the number of adequately trained pollution control and abatement personnel; upgrade the level of training among State and local environmental control personnel; bring new people into the environmental control field.

Financial form	Direct payments (benefits-in-kind).
Direct recipient	Public and nonprofit private agencies, institutions, organizations, and individuals.
Formula requirements	A minimum of 5 percent cost sharing is required.
Subsidy costs	Fiscal year 1970, $3,000,000; fiscal year 1971, $3,347,000; fiscal year 1972, $7,645,000; fiscal year 1973, $1,750,000; fiscal year 1974, $1,600,000; fiscal year 1975, $1,300,000.

VOCATIONAL REHABILITATION FOR DISABLED VETERANS

Administering agency	Department of Veterans' Benefits, Veterans' Administration.
Identification	Authorization: 38 U.S.C. 1502. Budget account: 29–00–0137–0–1–802, 29–00–0102–0–1–802. CFCA: 64.116.
Objectives	To train veterans for the purpose of restoring employability, to the extent consistent with the degree of disablement, lost by virtue of a handicap due to a service-connected disability. The program provides for the entire cost of tuition, books, fees, and training supplies. During training and for 2 months following rehabilitation, a veteran will be paid a subsistence allowance in addition to his disability compensation. These monthly allowances range from $148 to $248 plus an addition for each dependent in excess of two if the veteran is not receiving additional compensation for such dependents. Non-interest-bearing loans not to exceed $200 may be advanced to participants in the program. Usually no training period can exceed 4 years.
Financial form	Direct payments (benefits-in-kind).
Direct recipient	Veterans of World War II and later service who, as a result of a service-connected compensable disability are determined to be in need of vocational rehabilitation to overcome their handicap.
Subsidy costs	Fiscal year 1970, $42,050,266; fiscal year 1971, $58,729,000; fiscal year 1972, $64,989,000; fiscal year 1973, $71,936,266; fiscal year 1974, $70,550,000; fiscal year 1975, $75,230,000.

PUBLIC ASSISTANCE—STATE AND LOCAL TRAINING

Administering agency	Social and Rehabilitation Service, Department of Health, Education, and Welfare.
Identification	Social Security Act, sections 3, 403, 603, 1003, 1403, 1603 and 1903; as amended by the Public Welfare Amendments of 1962, sections 101 and 141, the Social Security Amendments of 1965, section 121; and the Social Security Amendments of 1972, sections 302 and 303, 76 Stat. 173, 175, 177, 178, 202, 79 Stat. 349; 42 U.S.C. 303, 603, 1203, 1353, 1383, and 1396b. Budget account: 09–50–0581–0–1–704. CFDA: 13.724.
Objectives	To train personnel employed or preparing for employment in State agencies or in local agencies administering approved public assistance plans.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Employees of State public assistance agencies, including eligibility staff, social service staff, medical care staff, and clerical staff.
Formula requirements	States are reimbursed for 75 percent of their costs, based on estimates of State for Federal matching funds.
Subsidy costs	Fiscal year 1970, $31,665,000; fiscal year 1971, $43,886,000; fiscal year 1972, $33,094,601; fiscal year 1973, $35,760,000; fiscal year 1974, $41,640,000; fiscal year 1975, $32,578,000.

CONCENTRATED EMPLOYMENT PROGRAM

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Economic Opportunity Act of 1964, as amended, section 123(a)5. Budget account: 12–05–0174–0–1–607. CFDA: 17.204.
Objectives	Concentrated employment programs are established by priority in urban neighborhoods or rural areas having serious problems of unemployment and subemployment. They coordinate and concentrate Federal manpower efforts to attack the total employment problems of the hardest hit of the disadvantaged in a way that will make a significant impact in the area. The Manpower Administration provides a flexible package of manpower programs, including outreach and recruitment; orientation; counseling and job coaching; basic education; various medical day care, and other supportive services.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Residents of the CEP target area who are disadvantaged.
Subsidy costs	Fiscal year 1970, $186,812,000; fiscal year 1971, $166,752,000; fiscal year 1972, $172,800,000; fiscal year 1973–75 proposed for inclusion in Manpower Revenue Sharing.

COOPERATIVE AREA MANPOWER PLANNING SYSTEM

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Manpower Development and Training Act of 1962, as amended; Public Law 90–636; 42 U.S.C. 2571–2620; and Executive Order No. 11422, October 15, 1968. Budget account: 12–05–0174–0–1–607. CFDA: 17.205.
Objectives	To establish cooperative planning and execution of manpower training and supportive manpower service programs as a policy of the Federal Government; to establish a manpower coordinating committee structure at national, regional, State, and local levels to participate in cooperative manpower planning.
Financial form	Direct cash payments.
Direct recipient	All State Governors are eligible as well as mayors of selected cities of approximately 100,000 population within funding and personnel ceiling limitations. Indian organizations are eligible to receive grants as well. Eligibles also are required to justify their needs for funds and explain the planned utilization of the manpower planning staff to be funded by the grants.
Subsidy costs	Fiscal year 1970, $5,625,000; fiscal year 1971, $6,930,000; fiscal year 1972, $11,290,000; fiscal years 1973–75, proposed for inclusion in Manpower Revenue Sharing.

MANPOWER DEVELOPMENT AND TRAINING—INSTITUTIONAL TRAINING

Administering agency	Manpower Administration, Department of Labor; Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Manpower Development and Training Act of 1962, as amended; 42 U.S.C. 2571–2670, Public Law 90–636. Budget account: 16–05–0174–0–1–607. CFDA: 17.215.

Objectives	To provide classroom occupational training, and related supportive services, for unemployed and underemployed persons who cannot obtain appropriate full-time employment.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Individuals who are without employment or who are underemployed and who need training or retraining to gain employment. To receive regular training allowances, an applicant must be unemployed, head of a household, or member of in which head of household is unemployed. Disadvantaged youth, age 17 through 21, may be eligible for youth allowances.
Formula requirements	Formula grant to states, based on apportionment factors required by Public Law 87–415, section 301. State education agencies pay up to 10 percent of the cost of training "in cash or in kind." No matching funds are required for allowance payments.
Subsidy cost	Fiscal year 1970, $307,656,000; fiscal year 1971, $331,990,000; fiscal year 1972, $324,852,000; fiscal years 1973–75, proposed for inclusion in Manpower Revenue Sharing.

NEIGHBORHOOD YOUTH CORPS

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Economic Opportunity Act of 1964, as amended, title 1B, section 123a (1 and 2) 42 U.S.C. 2701 et seq. Budget account: 12–05–0174–0–1–607. CFDA: 17.222.
Objectives	To provide opportunities to students of low-income families to earn sufficient funds to remain ln school while receiving useful work experience and to provide work experience, training, and support services for youths from low-income families who have dropped out of school to enable them to return to school or to acquire skills that will improve their employability. The Neighborhood Youth Corps has three major components: (1) an in-school component which provides part-time work for students of high school age from low-income families; (2) a summer program that provides these students with job opportunities during summer months; (3) an out-of-school program to provide economically deprived school drop-outs with practical work experience and on-the-job training to encourage them to return to school and resume their education, or if this is not feasible, to help them acquire skills that improve their employability.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	The sponsor within each community must be a public or private nonprofit agency capable of planning, administering, coordinating, and evaluating the program. The in-school and summer components are open to students from low-income families, grades 9 through 12 (or the equivalent 14–21 year age group). The out-of-school program is open to unemployed youth from low-income families, who are 16 to 17 years of age.
Subsidy cost	Fiscal year 1970, $352,600,000; fiscal year 1971, $426,453,000; fiscal year 1972, $362,499,094; fiscal years 1973–75, proposed for inclusion in Manpower Revenue Sharing.

PUBLIC SERVICE CAREERS

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Title 1B, Economic Opportunity Act 1964, as amended; 42 U.S.C. 2701 et seq.; title II. Manpower Development and Training Act of 1962, as amended; 42 U.S.C. 2571 et seq. Budget account: 12–05–0174–0–1–607. CFDA: 17.224.
Objectives	Provides on the job training and supportive services to enable disadvantaged persons to qualify for jobs with State and local governments and private nonprofit agencies. Funds are provided to State and local governments and private agencies which agree to hire and train disadvantaged persons for jobs. The program incorporates the new careers program, which concentrates on increasing the critically short supply of trained subprofessional personnel in the health, welfare services, education, and other human services occupations.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	State and local governments and private nonprofit agencies which have the capacity to carry out the program objectives. Unemployed or underemployed persons 18 years of age or older.
Subsidy cost	Fiscal year 1970, $87,100,000; fiscal year 1971, $91,636,000; fiscal year 1972, $4,856,459; fiscal year 1973, $4,531,000; fiscal year 1974, $1,563,000; fiscal year 1975, proposed for inclusion in Manpower Revenue Sharing.

JOB CORPS

Administering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Title I, part A of the Economic Opportunity Act of 1964, as amended, through December 23, 1967; 42 U.S.C. 2711. Budget account: 12–05–0174–0–1–604. CFDA: 17.211.
Objectives	To provide training to disadvantaged youth in a residence away from his normal environment. Enrollees receive room and board; medical and dental care; work clothing; a nominal allowance for purchase of dress clothing; a monthly living allowance of $30 minimum during an enrollee's first months of participation, and up to $50 maximum thereafter; and a readjustment allowance of $50 for each month of satisfactory service for enrollees who complete their Job Corps training or perform satisfactorily for 6 months or longer. An allotment of $25 maximum per month may be paid during the period of service to wives and dependent children of enrollees. Government matches this allotment, making a total of up to $50 for the allottee.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Industries, public or nonprofit agencies having the capabilities to carry out the objectives of the program; and enrollees who are 14 to 21 years old. school dropouts for more than 3 months, unable to find and hold an adequate job, but not having a history of serious criminal or antisocial behavior.
Subsidy costs	Fiscal year 1970, $169,782,000; fiscal year 1971, $160,187,000; fiscal year 1972, $200,097,000; fiscal year 1973, $192,800,000; fiscal year 1974, $150,000,000; fiscal year 1975, $171,000,000.

EXCLUSION OF MILITARY BENEFITS AND ALLOWANCES

Authorization	Sec. 112—Certain combat pay of members of the Armed Forces. Sec. 113—Mustering-out payments for members of the Armed Forces. Sec. 119—Meals or lodging furnished for convenience of the employer.
Financial form	Tax subsidies.
Description	The supplements to salaries of military personnel by provision of quarters and meals on military bases and off-base quarters allowances for military families are excluded from taxation. In addition, an exclusion from gross income for members of the Armed Forces serving in combat zones or hospitalized as the result of wounds, disease, or injury incurred while serving in such a zone (this is presently limited to personnel whose service in a combat zone was between June 24, 1940, and Jan. 1, 1955). For enlisted personnel, this exclusion is granted for all pay received for service in the combat zone or while hospitalized; for commissioned officers, the exclusion is limited to the first $200 of pay received each month. Because the size of this tax benefit is determined by the taxpayer's marginal rate, the largest subsidies go to the higher paid military personnel.
Subsidy costs	Fiscal year 1970, $50,000,000; fiscal year 1971, $500,000,000; fiscal year 1972, $650,000,000; fiscal year 1973, $700,000,000; fiscal year 1974, $700,000,000; fiscal year 1975, $700,000,000.

FEDERAL EMPLOYMENT FOR DISADVANTAGED YOUTH—PART-TIME

(Stay-in-School Campaign)

Administering agency	Civil Service Commission.
Identification	Authorization: The Civil Service Commission Act; Public Law 89–554; 5 U.S.C. 3302. Budget account: Funded by accounts of numerous participating Federal agencies. CFDA: 27.003.
Objectives	To give disadvantaged young people, 16 through 21 years of age, an opportunity for part-time employment with Federal agencies to allow them to continue their education without interruptions caused by financial pressures.
Financial form	Benefits-in-kind.
Direct recipient	(1) Students must be accepted for, or enrolled in, an approved and accredited secondary school or institution of higher learning, (2) maintain an acceptable school standing, and (3) need their job earnings to stay in school.
Subsidy costs	Fiscal year 1970, $27,800,000; fiscal year 1971, $34,900,000; fiscal year 1972, $46,000,000; fiscal year 1973, $37,000,000; fiscal year 1974, $36,000,000; fiscal year 1975, $36,000,000.

FEDERAL EMPLOYMENT FOR DISADVANTAGED YOUTH—SUMMER

(Summer Aids)

Administering agency	Civil Service Commission.
Identification	Authorization: The Civil Service Commission Act; Public Law 89–554; 5 U.S.C. 3302. Budget account: Funded by various accounts of participating agencies. CFDA: 27.004.

Objectives	To give disadvantaged young people, ages 16 through 21. meaningful summer employment with the Federal Government.
Financial form	Benefits-in-kind.
Direct recipient	To be eligible, a youth must meet the economic needs criteria, based upon income levels used by the Department of Labor in administration of federally financed manpower training programs.
Subsidy costs	Fiscal year 1970, $23,500,000; fiscal year 1971, $39,000,000; fiscal year 1972, $39,000,000; fiscal year 1973, $36,000,000; fiscal year 1974, $31,000,000; fiscal year 1975, $32,000,000.

EMERGENCY EMPLOYMENT ASSISTANCE

Adminstering agency	Manpower Administration, Department of Labor.
Identification	Authorization: Emergency Employment Act of 1971; Public Law 92–54. Budget account: 12–05–0177–0–1–604. CFDA: 17.229.
Objectives	To provide public service employment for unemployed persons and assist State and local communities in furnishing needed public services during periods of high unemployment.
Financial form	Benefits-in-kind. At least 85 percent of the total funds must be expended for wages and employment benefits to persons employed in public service jobs under the program. The remaining funds can be used for program staff and administration, training and other manpower services. The program consisted of two types of funds: regular and special employment assistance funds. The regular fund is available for obligation only when the national rate of unemployment exceeds 4.5 percent for three or more consecutive months. At least 80 percent of the funds must be apportioned among the States and within each State, taking into consideration the number of unemployed persons. The special employment assistance fund is made available to those areas with an unemployment rate of 6 percent or more for 3 consecutive months.
Direct recipient	Any unemployed or underemployed person is eligible for the program, but all significant segments of the unemployed population must be equitably served, with preference to the disadvantaged, youth, older workers, recent veterans of the Korea or Indochina wars, welfare recipients, recently displaced workers, and former participants in manpower programs.
Subsidy costs	Fiscal years 1970–71, $0; fiscal year 1972, $975,870,000; fiscal year 1973, $1,262,934,000; fiscal year 1974, $8,513,000; fiscal year 1975, proposed for inclusion in Manpower Revenue Sharing.

EDUCATION

GROSS BUDGETARY COSTS OF FEDERAL EDUCATION SUBSIDIES

[In million of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
Work study programs	159	205	243	281	278	250
Veterans education	939	1,521	1,812	2,538	3,053	2,657
Education and training fellowships	354	321	236	244	234	205
Promotion of the arts	16	17	31	38	46	61
Promotion of the humanities	5	6	10	9	15	24
College library resources	10	10	11	12	10	0
Supplemental educational opportunity grants	165	165	178	210	210	0
Higher education—Strengthening development institutions	30	34	52	87	100	120
Special services for disadvantaged students	10	15	15	23	23	23
Indian education	4	6	15	21	23	30
Institutional grants for science	15	15	12	8	6	(1)
Howard University	33	39	88	54	68	90
Sea grant support	0	13	17	19	19	23
Dependents educational assistance	52	71	68	100	110	123
Teachers Corps—Operating and training	27	31	37	38	38	38
Higher education—Cooperative	2	2	2	11	11	11
Basic educational opportunity grants	0	0	0	122	475	1,300
State administrative expenses	3	3	3	3	2	(1)
Higher education instructional equipment	0	7	0	0	0	0
Academic facilities construction	40	41	0	0	0	0
Foreign language and area studies	7	4	0	0	0	0
Land-grant colleges and universities	15	13	13	19	12	(1)
Tax subsidies:						
Additional exemption for students	525	500	550	640	675	710
Contributions to educational institutions	200	200	275	275	300	330
Exclusion of scholarships and fellowships	60	60	110	125	140	(1)
Credit subsidies:						
Higher Education Act	68	−42	−43	154	109	54
Higher education facilities interest subsidy	4	15	0	0	0	0
Law enforcement education	0	−1	−1	0	1	0
Higher education facilities loans	8	−79	−63	107	81	5
Benefit-in-kind:						
Surplus property utilization	409	459	399	380	390	400
Total, order of magnitude [2]	3,160	3,651	4,070	5,518	6,429	6,454

[1] Unavailable.
[2] Individual items may not add to totals due to rounding errors.

WORK STUDY PROGRAMS

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Act of 1965; title LV, part C, Public Law 89–329; 42 U.S.C. 2751–27562a; Vocational Education Amendments of 1968, title I, part H; Public Law 90–576; 20 U.S.C. 1241–1391; 82 Stat. 1064–1091 and Education Amendments of 1972; Public Law 92–318, title II—Vocational Education, Sec. 207, 20 U.S.C. 1371; 86 Stat. 326. Budget account: 09–40–0273–0–1–603; 09–40–0293–0–1–602. CFDA: 13.463 and 13.501.
Objectives	To promote the part-time employment of students, particularly those with great financial need, who require assistance to pursue courses of study at institutions of higher education. To assist economically disadvantaged full-time vocational education students, age 15–20, to remain in school by providing part-time employment with public employers.
Financial form	Direct payments.
Direct recipients	Undergraduate, graduate, or professional students enrolled (or accepted for enrollment) on at least a half-time basis, whose resources, including parental contributions, are determined (by the grantee institution) to be inadequate to enable them to study at the institution.
Formula requirements	The Federal share of the compensation paid to students normally does not exceed 80 percent. The remaining share must be paid from any nongrant source. From the sums available the Commissioner shall allot to each State an amount which bears the same ratio to such sums for such year as the population 15–20, inclusive, of the State, in the preceding fiscal year bears to the population 15–20, inclusive, of all the States in such preceding year. Federal funds may be used for 80 percent expended for compensation of students and an amount, not to exceed 1 percent of the allotment, of $10,000, whichever is greater, may be expended for the development and administration of the plan.
Subsidy costs	Fiscal year 1970, $158,900,000; fiscal year 1971; $205,199,281; fiscal year 1972, $243,400,000; fiscal year 1973, $280,724,000; fiscal year 1974, $278,-049,000; fiscal year 1975, $250,000,000.

VETERANS' EDUCATION

Administering agency	Department of Veterans' Benefits, Veterans' Administration. Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: 30 U.S.C. 1661, Higher Education Act of 1965 as amended by Public Law 92–318, title X, section 420. Budget account: 29–00–0137–0–1–802; 09–40–0293–0–1–602. CFDA: 64.111 and 13.540.
Objectives	To make service in the Armed Forces more attractive by extending benefits of a higher education to qualified young persons who might not otherwise be able to afford such an education; and to restore lost educational opportunities to those whose education was interrupted by active duty after January 31, 1955. To encourage colleges and universities to serve the special needs of Vietnam-era veterans.

Financial form_____ Direct payments.
Direct recipient_____ The veteran must have served honorably on active duty for more than 180 days, part of which occurred after January 31, 1955, or who was discharged after such date because of a service-connected disability. A serviceman who has served on active duty for more than 180 days and who continues on active assistance is also eligible. Upon completion of 18 months of active duty, the maximum of 36 months of educational assistance will be granted, if the veteran is released under condition that satisfy his active duty obligation, otherwise assistance will be provided for at the rate of 1½ months for each month of service.
Veterans enrolled in eligible institutions of higher education, who are recipients of benefits under Chapters 31 and 34 of title 38, U.S.C.
Subsidy costs_____ Fiscal year 1970, $938,775,099; fiscal year 1971, $1,521,700,000; fiscal year 1972, $1,812,434,000; fiscal year 1973, $2,538,214,848; fiscal year 1974, $3,053,496,000; fiscal year 1975, $2,656,526,000.

MISCELLANEOUS EDUCATION AND TRAINING FELLOWSHIPS

Administering agency__ Almost all executive agencies.
Identification_____ Authorization: Higher Education Act of 1965, National Defense Education Act of 1958, Education Professions Development Act, Education of the Handicapped Act, National Science Foundation Act of 1950, National Sea Grant College and Program Act of 1966, Radiation Control for Health and Safety Act of 1968, Atomic Energy Act of 1954, Water Quality Act of 1965 and 1970. Omnibus Crime Control and Safe Streets Act of 1968, and others.
Budget account: Various.
CFDA: 13.426, 13.468, 47.009, 19.101, 13.407, 13.402, 13.441, 13.451, 66.201, 24.020, 66.002, 13.416, 13.425, 13.434, 13.461, 13.506, 13.508, 13.509, 13.514, 13.740, 16.504,66.410, 24.017, 13.510, 11.417, 11.418, 13.421, 13.490, 13.473, 13.489, 47.032, 47.019, 47.034, 13.417.
Objectives_____ To promote educational training generally within the higher education system. Some of these programs are aid to general educational training, others are quite specific training such as radiation specialists or nuclear engineers. They all have in common that the training occurs within the context of the higher education system and that they are specifically for training. A large amount of training, particularly of graduate students, is funded through research grants. This has been excluded here because of the difficulty in separating a payment to train for research from a payment to purchase research services.
Financial form_____ Direct cash payments (benefits-in-kind).
Direct recipient_____ Varies with individual program, In some cases grants are made directly to the student, in others the money is given to the institution which then disburses it in the form of cash payment, lower tuition, educational supplies, etc.
Subsidy costs_____ Fiscal year 1970, $353,878,473; fiscal year 1971, $321,226,747; fiscal year 1972, $235,832,874; fiscal year 1973, $243,847,000; fiscal year 1974, $234,123,-000; fiscal year 1975, $204,706,000.

PROMOTION OF THE ARTS

Administering agency	National Endowment of the Arts, National Foundation of the Arts and Humanities.
Identification	Authorization: National Foundation on the Arts and Humanities Act of 1965; Public Law 89–209 as amended by Public Law 90–348 and Public Law 91–346; 20 U.S.C. 961–3. Budget account: 31–35–0100–0–1–605. CFDA: 45.002, 45.003, 45.004, 45.005, 45.006, 45.007, 45.008, 45.009, 45.010, 45.012.
Objectives	Grants are made to individual artists, institutions, organizations, and State arts councils. Programs assist individual artists, sustain independent artistic institutions, increase citizen participation and enjoyment of the arts, encourage productions of cultural significance, and expand audiences for the arts.
Financial form	Direct payments (benefits-in-kind).
Direct recipient	Individual artists and nonprofit institutions associated with the arts.
Subsidy costs	Fiscal year 1970, $15,590,431; fiscal year 1971, $16,617,430; fiscal year 1972, $30,803,066; fiscal year 1973, $37,764,303; fiscal year 1974, $46,410,000; fiscal year 1975, $60,730,500.

PROMOTION OF THE HUMANITIES

Administering agency	National Endowment for the Humanities, National Foundation on the Arts and the Humanities. .
Identification	Authorization: National Foundation on the Arts and Humanities Act of 1965; Public Law 89–209 as amended by Public Law 90–348 and Public Law 91–346; 20 U.S.C. 951–3. Budget account: 31–35–0100–0–1–605. CFDA: 45.104, 45.110, 45.111, 45.112, 45.114.
Objectives	To strengthen all levels of the educational system with increasing emphasis on support of innovative approaches to humanistic learning in institutions of higher education. Public programs in humanistic education of adults are supported. Fellowships are provided for teachers and scholars working in the area.
Financial form	Direct payments (benefits-in-kind).
Direct recipient	Educational institutions, nonprofit institutions, students, and instructors in the area.
Subsidy costs	Fiscal year 1970, $4,958,436; fiscal year 1971, $5,861,709; fiscal year 1972, $10,264,815; fiscal year 1973, $9,189,325; fiscal year 1974, $14,945,000; fiscal year 1975, $23,850,000.

COLLEGE LIBRARY RESOURCES

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Act of 1965, title II–A, as amended sections 201 to 208, 1201 to 1204; Public Law 89–329; Public Law 90–575; 20 U.S.C. 1021–1028. Budget account: 09–40–0212–0–1–605. CFDA: 13.406.
Objectives	This program authorizes grants to institutions of higher education to assist and encourage them in the acquisition of library materials and thereby improve educational opportunity for students.

Financial form	Direct payments.
Direct recipient	Institutions of higher education.
Formula requirements	Basic grants up to $5,000, for library purposes; supplemental grants up to $20 per student, but must be eligible to receive a basic grant; special purpose grants, with one-third matching for library materials; amounts not limited but the the total amount of, special purpose grants may not exceed 25 percent of the program appropriation.
Subsidy costs	Fiscal year 1970, $9,816,000; fiscal year 1971, $9,893,400; fiscal year 1972, $11,000,000; fiscal year 1973, $12,405,000; fiscal year 1974, $9,985,000; fiscal year 1975, no funds requested.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Education Amendments of 1972, Public Law 92–318; 20 U.S.C. 1070b. Budget account: 09–40–0293–0–1–602. CFDA: 13.418.
Objectives	To enable students of exceptional financial need to pursue higher education by providing grant assistance for educational expenses.
Financial form	Direct payments.
Direct recipient	Undergraduate students with exceptional financial need.
Formula requirements	Funds for first-year grants are allotted among the States according to each State's percentage of the national full-time enrollment in institutions of higher education. Funds for continuing grants are allocated as needed to enable institutions to make continuing awards to all eligible students. SEOG awards are entirely Federal money. However, the institutions must provide each recipient with additional financial aid, from designated sources, in an amount at least equal to the SEOG award.
Subsidy costs	Fiscal year 1970, $164,600,000; fiscal year 1971, $164,600,000; fiscal year 1972, $177,700,000; fiscal year 1973, $210,300,000; fiscal year 1974, $210,300,000 (initial year of redirected program); fiscal year 1975, $0.

HIGHER EDUCATION—STRENGTHENING DEVELOPING INSTITUTIONS

Administering agency	Federal Agency; Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Act of 1965, title III, as amended; sections 301–306; Public Law 89–329; Public Law 80–752; Public Law 90–575; 20 U.S.C. 1051–1056; Public Law 92–318. Budget account: 09–40–0293–0–1–602. CFDA: 13.454.
Objectives	To assist developing colleges in strengthening their academic, administrative, and student services programs so that they may participate adequately in the higher education community.
Financial form	Direct payments.
Direct recipient	National teaching fellows, professors emeriti, and other institutional faculty members, as outlined in the individual proposal and application, are eligible for support; however, support will not be awarded for programs designed to prepare students or teachers to become ministers or teachers of theology.
Subsidy costs	Fiscal year 1970, $30,000,000; fiscal year 1971, $33,850,000; fiscal year 1972, $51,850,000; fiscal year 1973, $87,350,000; fiscal year 1974, $99,992,000; fiscal year 1975, $120,000,000.

SPECIAL SERVICES FOR DISADVANTAGED STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Amendments of 1968; Public Law 90–575; 20 U.S.C. 1101; Public Law 92–318. Budget account: 09–40–0293–0–1–602. CFDA: 13.482.
Objectives	To assist low income and physically handicapped students enrolled or accepted for enrollment by institutions which are recipients of grants initiate, continue, or resume postsecondary education.
Financial form	Direct payments.
Direct recipient	Students who are enrolled or accepted for enrollment at the institution which is the beneficiary of the grant and who, by reason of deprived educational, cultural, or economic background, or physical handicap, are in need of such services to assist them to initiate, continue, or resume their postsecondary education. At least 80 percent of the students must meet the low-income criteria indicated in the guidelines.
Subsidy costs	Fiscal year 1970, $10,000,000; fiscal year 1971, $15,000,000; fiscal year 1972, $15,000,000; fiscal year 1973, $23,000,000; fiscal year 1974, $23,000,000; fiscal year 1975, $23,000,000.

INDIAN EDUCATION—COLLEGES AND UNIVERSITIES

Administering agency	Federal Agency: Bureau of Indian Affairs, Department of the Interior.
Identification	Authorization: Snyder Act of November 2, 1921; Public Law 67–85; 25 U.S.C. 13. Budget account: 10–76–2100–0–1–601. CFDA: 15.114.
Objectives	To encourage Indian students to continue their education and training beyond high school.
Financial form	Direct payments.
Direct recipients	Must be one-fourth or more degree Indian, Eskimo, or Aleut blood, member of a tribe served by the Bureau, enrolled or accepted for enrollment in an accredited college, have financial need as determined by the institution's financial aide office.
Subsidy costs	Fiscal year 1970, $3,767,418; fiscal year 1971, $6,050,356; fiscal year 1972, $15,003,000; fiscal year 1973, $20,956,000; fiscal year 1974, $22,756,000; fiscal year 1975, $29,956,000.

INSTITUTIONAL GRANTS FOR SCIENCE

Administering agency	National Science Foundation.
Identification	Authorization: National Science Foundation Act of 1960, amendments through July 18, 1968; Public Law 81–507; 64 Stat. 149; 42 U.S.C. 1861–1875. Budget account: 31–45–0100–0–1–606. CFDA: 47.012.
Objectives	To help maintain a strong academic base for science by assisting institutions of higher education to follow their own plans and priorities, as indicated by local circumstances, through use of these funds for direct costs of research and science education. Funds may be used at the discretion of the educational institution for the direct costs of research and science education activities. Funds may not be used for indirect costs.
Financial form	Direct payments.

Direct recipient	Institutions of higher education in the United States or its territories and possessions which during fiscal year 1969, received a research award from any one of several Federal departments or agencies, other than the U.S. Public Health Service, reporting fiscal year 1969 obligations to the Committee on Academic Science and Engineering of the Federal Council for Science and Technology. In addition, grants made by the Foundation for Research Training under the programs of undergraduate research participation for college teachers will establish eligibility.
Formula requirements	Formula provides a graduated percentage of applicable R. & D. awards received by each institution.
Subsidy costs	Fiscal year 1970, $14,514,832; fiscal year 1971, $14,503,347; fiscal year 1972, $11,972,000; fiscal year 1973, $7,977,000; fiscal year 1974, $6,000,000; fiscal year 1975, not presently available.

HOWARD UNIVERSITY

Administering agency	Department of Health, Education, and Welfare.
Identification	Authorization: Department of Health, Education, and Welfare Appropriation Act, 1971. Budget account: 09–70–0106–0–1–602. CFDA: Not listed.
Objectives	For partial support of Howard University.
Financial form	Direct payments.
Direct recipient	Howard University and its students and faculty.
Subsidy costs	Fiscal year 1970, $33,044,000; fiscal year 1971, $39,258,000; fiscal year 1972, $87,888,000; fiscal year 1973, $53,773,000; fiscal year 1974, $67,916,000; fiscal year 1975, $90,215,000.

SEA GRANT SUPPORT

Administering agency	National Oceanic and Atmospheric Administration, Department of Commerce.
Identification	Authorization: National Sea Grant College and Program Act of 1966; Public Laws 89–688 and 89–454; 33 U.S.C. 1112–1124; Reorganization Plan No. 4, 1970. Budget account: 06–48–1450–0–1–506. CFDA: 11.417.
Objectives	To support establishment of major university centers for marine research, education, training, and advisory services, and individual investigations in marine research, education, training, and advisory services having limited objectives.
Financial form	Direct payments.
Direct recipient	Organizations and individuals with professional interest in marine affairs.
Formula requirements	At least one-third of total cost must be obtained from non-Federal sources.
Subsidy costs	Fiscal year 1970, $0; fiscal year 1971, $12,871,000; fiscal year 1972, $17,273,000; fiscal year 1973, $18,821,000; fiscal year 1974, $18,821,000; fiscal year 1975, $23,400,000.

DEPENDENTS EDUCATIONAL ASSISTANCE

Administering agency	Department of Veterans Benefits, Veterans' Administration.
Identification	Authorization: 38 U.S.C. 1710. Budget account: 29–00–0137–0–1–802.
Objectives	To provide partial support to those seeking to advance their education who are qualifying wives, widows, sons, and daughters of deceased or disabled veterans, or of servicemen who have been listed for a total of 90 days as missing in action or prisoners of war.

Financial form	Direct payments.
Direct recipient	Wives, widows, and children between age 18 and 26 of veterans who died from service-connected disabilities, of living veterans whose service-connected disabilities are considered permanently and totally disabling, of those who died from any cause while such disabilities were in existence, of servicemen who have been listed for a total of 90 days missing in action or of prisoners of war.
Subsidy costs	Fiscal year 1970, $51,927,780; fiscal year 1971, $70,644,000; fiscal year 1972, $67,632,000; fiscal year 1973, $99,879,104; fiscal year 1974, $110,000,000-fiscal year 1975, $122,600,000.

TEACHER CORPS—OPERATING AND TRAINING

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Education Professions Development Act, part B–1, sections 511–517A; Public Law 90–35; 20 U.S.C. 1101–1107a. Budget account: 09–40–0273–0–1–603. CFDA: 13.489.
Objectives	To strengthen the educational opportunities available to children in areas having concentrations of low-income families, and to encourage colleges and universities to broaden their programs of teacher preparation.
Financial form	Direct payments.
Direct recipient	College graduates or those with at least 2 years of college.
Formula requirements	School districts must pay at least 10 percent of intern and team leader salaries and expenses. Both universities and school districts are strongly encouraged to make other substantial contributions in terms of staff time, waived fees, etc.
Subsidy costs	Fiscal year 1970, $26,634,000; fiscal year 1971, $30,782,000; fiscal year 1972, $37,328,525; fiscal year 1973, $37,500,000; fiscal year 1974, $37,500,000; fiscal year 1975, $37,500,000.

HIGHER EDUCATION—COOPERATIVE EDUCATION

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Act of 1965, Title IV; Public Law 89–329, as amended by the Labor, Health, Education, and Welfare Appropriation Act, 1970; Public Law 91–204; Public Law 92–318; 20 U.S.C. 1071. Budget account: 09–04–0293–0–1–602. CFDA: 13.510.
Objectives	To provide Federal support for cooperative education programs including the planning, establishment, expansion, or carrying out of such programs in institutions of higher education. Cooperative education programs are those which alternate periods of full-time academic study with periods of full-time or private employment.
Financial form	Direct payments.
Direct recipient	Institutions of higher education, including junior colleges, 4-year undergraduate colleges and universities.
Formula requirements	The maximum grant an institution of higher education may receive in a single fiscal year for the administration of programs is $75,000. However, no such limitation applies to training or research programs.

Subsidy costs	Fiscal year 1970, $1,540,000; fiscal year 1971, $1,600,000; fiscal year 1972, $1,700,000; fiscal year 1973 $10,750,000; fiscal year 1974, $10,750,000; fiscal year 1975, $10,750,000.

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Amendments of 1972, title IV, part A, sec. 411; Public Law 92–318; 20 U.S.C. 1070a. Budget account: 09–40–0293–0–1–602. CFDA: 13.539.
Objectives	To assist in making available the benefits of post-secondary education to qualified students.
Financial form	Direct payments.
Direct recipients	Undergraduate students attending eligible institutions of higher education. For academic years 1973–75, students must be beginning their postsecondary education after April 1, 1973, and enrolling on a full-time basis.
Formula requirements	Basic grants cannot exceed one-half cost of attendance at full funding or one-half of need at less than full funding; therefore, additional assistance is required to meet total need.
Subsidy costs	Fiscal years 1970–72, not applicable, new program; fiscal year 1973, $122,100,000; fiscal year 1974, $475,000,000; fiscal year 1975, $1,300,000,000.

HIGHER EDUCATION ACADEMIC FACILITIES—STATE ADMINISTRATION

(State Administrative Expenses)

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Act of 1965, as amended by Public Law 92–318 (formerly authorized under Higher Education Facilities Act of 1963, as amended; title I, Sec. 105; Public Law 88–204); Public Law 89–329; Public Law 89–752; Public Law 90–575; 20 U.S.C. 715. Budget account: 09–40–0293–0–1–602. CFDA: 13.454.
Objectives	To provide funds to the State commissions on higher education facilities for administering the State plans approved under title VII–A of the Higher Education Act, and title VI–A of the Higher Education Act of 1965.
Financial form	Direct recipient.
Direct recipient	Applicant eligibility: All State commissions for higher education facilities approved by the Commissioner of Education under title VII–A of the Higher Education Act.
Formula requirements	Funds allocated to States on the basis of anticipated workload.
Subsidy costs	Fiscal year 1970, $2,631,844; fiscal year 1971, $2,619,000; fiscal year 1972, $2,812,000; fiscal year 1973, $2,748,000; fiscal year 1974, $2,000,000; fiscal year 1975, not presently available.

HIGHER EDUCATION INSTRUCTIONAL EQUIPMENT

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Act of 1965, title VI, Public Law 89–329, amended Public Law 89–752, amended Public Law 90–575; 20 U.S.C. 1121, 45 CFR 171.1–171.12. Budget account: 09–40–0293–0–1–602. CFDA: 13.518.
Objectives	To improve the quality of undergraduate instruction in institutions of higher education by providing financial assistance on a matching basis for the acquisition of instructional equipment, materials, and related minor remodeling.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Public or nonprofit institutions of higher education, including trade and vocational schools or combinations of such institutions are eligible. These institutions must offer not less than a 1-year program of training to prepare students for gainful employment in a recognized occupation as defined in the Higher Education Act of 1965, as amended.
Subsidy costs	Fiscal year 1970, none; fiscal year 1971, $7,000,000; fiscal year 1972, end of program.

HIGHER EDUCATION—ACADEMIC FACILITIES CONSTRUCTION

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Facilities Act of 1963, as amended; title I, sec. 103: Public Law 88–204; Public Law 89–329; Public Law 89–752, Public Law 90–575; 20 U.S.C. 701. Budget account: 09–40–0293–0–1–602. CFDA: 13.459.
Objectives	To provide grants to higher education institutions to finance the construction, rehabilitation, and improvement of undergraduate facilities.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Public community colleges and public technical institutes where there is an urgent need for expansion of student enrollment capacity.
Subsidy costs	Fiscal year 1970, $40,365,372; fiscal year 1971, $40,769,000; fiscal year 1972, end of program.

FOREIGN LANGUAGE AND AREA STUDIES

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: National Defense Education Act of 1958, title VI, section 601(a); Public Law 85–864, as amended; 72 Stat. 1593; 20 U.S.C. 511. Budget account: 09–40–0291–0–1–602. CFDA: 13.435, 13.436.
Objectives	To promote instruction in modern foreign languages and area studies critical to national needs by supporting the establishment and operation of centers and summer intensive language programs at U.S. colleges and universities.
Financial form	Direct cash payments (benefits-in-kind).

Direct recipient	Accredited American colleges and universities with appropriate resources and curriculum and students enrolled at same institutions.
Subsidy costs	Fiscal year 1970, $7,064,000; fiscal year 1971, $3,894,438; fiscal year 1972, end of program.

HIGHER EDUCATION—LAND-GRANT COLLEGES AND UNIVERSITIES

(Land-Grant College Endowment)

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Morrill Act of 1862, as amended; 12 Stat. 503; 7 U.S.C. 301; Second Morrill Act of 1890, as amended; 26 Stat. 417; 7 U.S.C. 322 and 323; Bankhead–Jones Act, as amended; 49 Stat. 439; Public Law 182; 7 U.S.C. 329. Budget account: 09–40–0293–0–1–602. CFDA: 13.453.
Objectives	Grants to land-grant colleges and universities to support instruction in agriculture, mechanic arts, English, mathematics, science, economics, and specialized teacher training in agriculture, mechanic arts, and home economics.
Financial form	Direct payments.
Direct recipient	Land-grant colleges designated by State legislatures.
Formula requirements	Each State (including the District of Columbia, Guam, Virgin Islands, and Puerto Rico) receives $50,000 under Second Morrill Act. The present (1974) Bankhead–Jones appropriation is $9,500,000, of which $7,800,000 is equally divided among the States, and $1,700,000 is proportioned on the basis of population. In fiscal year 1973, Guam and the Virgin Islands were given land-grant status, and each received a one-time endowment of $3,000,000 in lieu of land.
Subsidy costs	Fiscal year 1970, $14,720,000; fiscal year 1971, $12,680,000; fiscal year 1972, $12,600,000; fiscal year 1973, $18,700,000; fiscal year 1974, $12,200,000; fiscal year 1975, presently not available.

ADDITIONAL PERSONAL EXEMPTION FOR STUDENTS

Authorization	Section 151—Allowance of deductions for personal exemptions (e)(1)(B)(ii) refers to "student."
Financial form	Tax subsidies.
Description	Taxpayers may claim personal exemptions for dependent children over 18 who receive $600 or more of income per year only if they are full-time students. The student may also claim an exemption on his own tax return, in effect providing a double exemption, one of the parents' tax return and one on the student's. Foster children were added to the definition of dependents by the Tax Reform Act of 1969 thus allowing the provision referred to above to apply to foster children when the condition of being a student is satisfied.
Subsidy costs	Fiscal year 1970, $525,000,000; fiscal year 1971, $500,000,000; fiscal year 1972, $550,000,000; fiscal year 1973, $640,000,000; fiscal year 1974, $675,000,000; fiscal year 1975, $710,000,000.

DEDUCTIBILITY OF CONTRIBUTIONS TO EDUCATIONAL INSTITUTIONS

Authorization	Section 170—Charitable, etc. Contributions and gifts.
Financial form	Tax subsidies.

Description	Contributions to nonprofit educational institutions are allowed as an itemized nonbusiness deduction for individuals. The deduction is generally limited to 30 percent of the adjusted gross income for contributions to organizations, including educational institutions, supported by the general public. The exemption from taxation of money or property the devoted to charitable and other purposes is based upon the theory that the Government is compensated for the loss of revenue by its relief from financial burden which would otherwise have to be met by appropriations from public funds, and by the benefits resulting from the promotion of the general welfare. The United States derives no such benefit from gifts to foreign institutions, and the proposed limitation is consistent with the above theory. If the recipient, however, is a domestic organization the fact that some portion of its funds is used in other countries for charitable and other purposes (such as missionary and educational purposes) will not affect the deductibility of the gift. (Sec. 23(q) of the Revenue Code of 1939).
Subsidy costs	Fiscal year 1970, $200,000,000; fiscal year 1971, $200,000,000; fiscal year 1972, $275,000,000; fiscal year 1973, $275,000,000, fiscal year 1974, $300,000,000, fiscal year 1975, $330,000,000.

EXCLUSION OF SCHOLARSHIPS AND FELLOWSHIPS

Authorization	Section 117—Scholarships and fellowship grants.
Financial form	Tax subsidies.
Description	Recipients of scholarships and fellowships may exclude such amounts from taxable income, subject to certain limitations.
Subsidy costs	Fiscal year 1970, $60,000,000; fiscal year 1971, $60,000,000: fiscal year 1972, $110,000,000; fiscal year 1973, $125,000,000, fiscal year 1974, $140,000,000; fiscal year 1975, figures unavailable.

HIGHER EDUCATION ACT

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Act of 1965, title IV–B, section 421; Public Law 89–329; 20 U.S.C. 1071; Emergency Insured Student Loan Act of 1969; Public Law 91–95 and Public Law 92–318. Budget account: 09–40–0293–0–1–602, 09–40–4308–0–3–602. CFDA: 13.460.
Objectives	To make loans for educational expenses available from lenders such as banks, credit unions, savings associations, and so forth, to vocational, undergraduate, and graduate students.
Financial form	Direct and guaranteed/insured loans.
Direct recipient	Any U.S. citizen, national, or person in the United States for other than a temporary purpose who is enrolled or accepted for enrollment on at least a half-time basis at an eligible postsecondary school.
Interest rate and maturity.	This program contains several loan accounts. Most interest rates are 7 percent, one is 3 percent. The maturity varies between 5 and 30 years.
Subsidy costs	Fiscal year 1970, $67, 650, 000; fiscal year 1971, —$42,330,000; fiscal year 1972, —$42, 850, 000; fiscal year 1973, $153, 830,000; fiscal year 1974, $108,950,000; fiscal year 1975, $53,540,000.

HIGHER EDUCATION FACILITIES INTEREST SUBSIDY

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Facilities Act of 1963, as amended; title III, sec. 306; Public Law 90–575; 20 U.S.C. 746. Budget account: 09–40–0293–0–1–602. CFDA: 13.457.
Objectives	To provide annual interest grants to institutions of higher education and higher education building agencies to reduce the cost of borrowing from private sources for construction, rehabilitation, and improvement of academic facilities. Replaces direct loan program.
Financial form	Credit aids (debt service payment). Institutions of higher education may, after approval by the Office of Education, arrange private long-term construction financing and receive annual interest grants which will reduce the interest cost of such borrowing to the institution to 3 percent.
Direct recipient	Public or private nonprofit institutions of higher education or higher education building agencies.
Interest rate and maturity.	3 percent—HEW pays any interest in excess of 3 percent. HEW assumes no liability for the principal or 3 percent of the interest. 30-year average maturity.
Subsidy costs	Fiscal year 1970, $3,793,000; fiscal year 1971, $14,504,000.

LAW ENFORCEMENT EDUCATION

Administering agency	Law Enforcement Assistance Administration, Department of Justice.
Identification	Authorization: Sec. 406, Omnibus Crime Control and Safe Streets Act of 1968; Public Law 90–351; Omnibus Crime Control Act of 1970; Public Law 91–664; 42 U.S.C. 3746 as amended by Public Law 93–83; 42 U.S.C. 3701. Budget account: 11–21–0400–0–1–908. CFDA: 16.504.
Objectives	To professionalize criminal justice personnel through higher education.
Financial form	Direct loans.
Direct recipient	Full-time students who enroll in a course of study relating to law enforcement or suitable for persons employed in law enforcement. Loans are forgiven at the rate of 25 percent for each full year of employment in a public law enforcement agency following completion of school.
Interest rate and maturity.	Fiscal years 1970–75, 7 percent, 5 years. Loans are interest free while students are in school. They are forgiven at the rate of 25 percent for each full year of employment in a law enforcement agency following completion of school.
Subsidy costs [1]	Fiscal year 1970, $4,210,000; fiscal year 1972, —$640,000; fiscal year 1972, —$880,000; fiscal year 1973, $0; fiscal year 1974, $500,000; fiscal year 1975, $470,000.

[1] These cost estimates assume that the loan is repaid because there is no information available on the value of loans that are forgiven. The estimate is therefore very conservative.

HIGHER EDUCATION FACILITIES LOANS

Administering agency	Office of Education, Department of Health, Education, and Welfare.
Identification	Authorization: Higher Education Facilities Act of 1963, Public Law 88–204, Dec. 16, 1963. 77 Stat. 363, 20 U.S.C. 741. Budget account: 09–40–4312–0–3–602. CFDA: 13.458 (1970 CFDA).
Objectives	To finance construction of academic facilities. One-fourth of development cost must be financed from non-Federal sources. Programs being replaced by higher education facilities interest subsidy.
Financial form	Direct loans.
Direct recipient	Public or private institutions of higher education or higher education building agencies. A building agency is any agency other than the university: for example a State government, State agency, or private agency.
Interest rate and maturity.	Direct loans: Fiscal year 1970–75, 3 percent, 40 years. Guaranteed/insured loans: Fiscal years 1970–72, 1975, 7 percent, 30 years; fiscal years 1973–74, 5.3 percent, 30 years.
Subsidy costs	Fiscal year 1970, $8,050,000; fiscal year 1971, $−79,-440,000; fiscal year 1972, −$62,590,000; fiscal year 1973, $107,200,000; fiscal year 1974; $80,760,000; fiscal year 1975, $5,470,000.

SURPLUS PROPERTY UTILIZATION

Administering agency	Office of the Secretary, Department of Health, Education, and Welfare.
Identification	Authorization: Federal Property and Administrative Services Act of 1949, as amended; sec. 203(j) and (k); Public Law 81–152; 40 U.S.C. 484. Budget account: 09–80–0129–0–1–703. CFDA: 13.606.
Objectives	To donate all available Federal surplus personal properties and convey rall available surplus Federal real properties, which are needed and usable by eligible organizations and institutions to carry out health and educational programs in their States. Conveyances are made by deed with a sale price based on the fair market value. A discount of from 50 to 100 percent based on the proposed-use program, is granted and applied against the sale price.
Financial form	Benefits-in-kind.
Direct recipient	Personal property: approved or accredited tax-supported or private, nonprofit, tax-exempt medical institutions, hospitals, clinics, health centers, schools, school systems, colleges and universities; schools for mentally retarded and physically handicapped; licensed educational radio and television stations; and public libraries. Real property: States, their political subdivisions and instrumentalities; tax-supported or nonprofit tax-exempt educational and medical institutions hospitals or similar institutions.
Subsidy costs [1]	Fiscal year 1970, $409,000,000; fiscal year 1971, $459,300,000; fiscal year 1972, $399,100,000; fiscal year 1973, $380,343,763; fiscal year 1974, $390,000,000; fiscal year 1975, $400,000,000.

[1] Valued at government acquisition cost.

INTERNATIONAL TRADE

GROSS BUDGETARY COSTS OF FEDERAL INTERNATIONAL TRADE SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
Export payments	101	176	117	359	28	0
Export payments of agricultural products	5	4	0	0	0	0
Tax subsidies:						
Western Hemisphere trade corporations	55	50	75	50	75	100
Exclusion of gross up on dividends of less developed country corps	55	55	55	60	70	80
Deferral of foreign subsidiary income	170	165	165	325	350	375
Exclusion of income earned in U.S. possessions	10	10	10	10	10	10
Exemption of income earned abroad by U.S. citizens	45	40	50	50	50	60
Deferral of income on domestic international sales corporations	0	0	0	250	490	920
Credit subsidies:[1]						
Export-Import Bank: Direct	108	−3	−21	113	214	231
Foreign military sales	2	−1	0	15	12	19
Development loans—Revolving fund	233	165	130	189	261	301
Emergency assistance for Israel	0	83	0	0	226	0
Public Law 480	211	182	147	237	349	331
Benefits-in-kind: Foreign agricultural market development and promotion	15	16	11	12	13	13
Total, order of magnitude[2]	1,010	942	739	1,670	2,148	2,439

[1] Foreign currency loans and foreign investment guarantees have been included in the loan account called Economic Development Assistance which is included in Commerce and Economic Development.
[2] Individual items may not add to totals due to rounding errors.

EXPORT PAYMENTS

Administering agency	Export Marketing Service, Department of Agriculture.
Identification	Authorization: Wheat export program, 15 U.S.C. 714c; flour export program, 15 U.S.C. 714c; rice export program, 15 U.S.C. 714c; tobacco export program, 15 U.S.C. 714c. Budget account: 05–66–4336–0–3–351. CFDA: 10.301.
Objectives	To assure that wheat, flour, rice, and tobacco produced in the United States are generally competitive in world markets, avoid disruption of world market prices, aid the price support program by strengthening the domestic market price to producers, reduce the quantity of grain which would otherwise be taken into CCC's stocks under its price support programs, and fulfill any international obligations of the United States.
Financial form	Direct payments.
Direct recipient	Any individual, partnership, corporation, association, or any legal entity engaged in the business of buying and selling grain for export, who maintains a bona fide business office for such purpose in the United States, and who has an agent in such office upon whom service of process may be made. In addition, the participant must demonstrate that he is financially responsible.
Subsidy costs	Fiscal year 1970, $100,719,000; fiscal year 1971, $176,093,000; fiscal year 1972, $116,934,000; fiscal year 1973, $359,000,000; fiscal year 1974, $27,700,000; fiscal year 1975, $0.

EXPORT PAYMENTS ON AGRICULTURAL PRODUCTS

Administering agency	Consumer and Marketing Service, Department of Agriculture.
Identification	Authorization: Agricultural Adjustment Act of 1935, as amended; sec. 32; Public Law 74–320; 7 U.S.C. 612c. Budget account: 05–32–5209–0–2–351. CFDA: 10.152.
Objectives	To enable agricultural producers to retain a fair share of export markets. The subsidies are used for payment on an amount needed to make the product competitive on the foreign market.
Financial form	Direct payments.
Direct recipient	Representative agricultural groups may request assistance when they encounter a loss of export markets. Agricultural exporters of the designated products who participate in the program receive the subsidy.
Subsidy costs	Fiscal year 1970, $5,336,000; fiscal year 1971, $3,928,708; fiscal year 1972, end of program.

WESTERN HEMISPHERE TRADE CORPORATION

Authorization	Sec. 921—Definition of Western Hemisphere trade corporations. Sec. 922—Special deductions.
Financial form	Tax subsidies.
Description	Domestic corporations conducting all of their business activities (other than incidental purchases) in the Western Hemisphere, deriving at least 95 percent of gross income from sources outside of the United States and at least 90 percent from the active conduct of a trade or a business qualify as Western Hemisphere trade corporation and are entitled to a special deduction. The effect of this deduction is to reduce the eligible corporation's tax rate by 14 percentage points.

Description—Con..... It has been suggested that the objective of this program is to provide relief to domestic corporations trading within the Western Hemisphere which are at a considerable competitive disadvantage with foreign corporations under other tax rates which they must face. It is also argued that this provision has the favorable balance-of-payments effects of increasing U.S. exports more than would similar capital investment in developed countries.

Subsidy cost..... Fiscal year 1970, $55,000,000; fiscal year 1971, $50,000,000; fiscal year 1972, $75,000,000; fiscal year 1973, $50,000,000; fiscal year 1974, $75,000,000; fiscal year 1975, $100,000,000.

EXCLUSION OF GROSS-UP ON DIVIDENDS OF LESS DEVELOPED COUNTRY CORPORATIONS

Authorization..... Sec. 902—Credit for corporate stockholders in foreign corporation. Sec. 78—Dividends received from certain foreign corporations by domestic corporations choosing foreign tax credit.

Financial form..... Tax subsidies.

Description..... Income of foreign branches and subsidiaries of U.S. corporations is subject to taxation abroad. Domestic corporations receiving dividends from foreign subsidiaries may take a credit for foreign income taxes levied on the profits of the foreign subsidiary out of which the dividends were paid. But if the dividends are from an industrialized country, the domestic corporation must "gross up" the dividends in its taxable income. This means their tax base is income before deductions of foreign income taxes. On the other hand if dividends are received from a less-developed country, this is not required. Thus, the parent domestic company secures the benefit both of a deduction of foreign income taxes and a credit for foreign income taxes.

One possible purpose of this subsidy is indicated in the committee reports for the Revenue Act of 1962 where it states, "The location of investments in such contries is an important factor in stimulating American exports to the same areas."

Subsidy costs..... Fiscal year 1970, $55,000,000; fiscal year 1971, $55,000,000; fiscal year 1972, $55,000,000; fiscal year 1973, $60,000,000; fiscal year 1974, $70,000,000; fiscal year 1975, $80,000,000.

DEFERRAL OF FOREIGN SUBSIDIARY INCOME

Authorization..... Subpart F—Controlled foreign corporations. Sec. 951—Amounts included in gross income of U.S. shareholders. Sec. 952—Subpart F income defined.

Financial form..... Tax subsidies.

Description..... U.S. corporations are not required currently to file consolidated returns which include the unrepatriated earnings of controlled foreign subsidiaries.

The President in his 1961 message questioned the desirability of providing "tax deferral" with respect to earnings of U.S. controlled companies (except in the case of investments in less developed countries). He recommended elimination of the tax-haven device anywhere in the world, even in the underdeveloped countries, through the elimination of the tax-deferral privilege for those forms of activities, such as trading, licensing, insurance, and others, that typically seek out tax-haven methods of operation.

Description—Con	The 1962 bill "does not eliminate tax deferral in the case of operating businesses owned by Americans which are located in the economically developed countries of the world. * * * the location of investments in these countries is an important factor in stimulating American exports. * * * Moreover * * * to impose the U.S. tax currently on the U.S. shareholders of American-owned businesses operating abroad would place such firms at a disadvantage with other firms located in the same areas not subject to U.S. tax." (Paraphrase of House report, Revenue Act of 1962.)
Subsidy costs	Fiscal year 1970, $170,000,000; fiscal year 1971, $165,000,000; fiscal year 1972, $165,000,000; fiscal year 1973, $325,000,000; fiscal year 1974, $350,000,000; fiscal year 1975, $375,000,000.

EXCLUSION OF EARNED INCOME IN U.S. POSSESSIONS

Authorization	Sec. 931—Income from sources within possessions of the United States. Sec. 932—Income from sources within Puerto Rico. Sec. 934—Limitation on reduction in income tax liability incurred to the Virgin Islands.
Financial form	Tax subsidies.
Description	Under present law, U.S. citizens or domestic corporations earning income in possession of United States generally are taxable only on their U.S. source income (plus amounts received in the United States) if they meet certain requirements. In general, these requirements are that the citizen or corporation derive 80 percent of its gross income from sources within such a possession and 50 percent of its gross income from the active conduct of a trade or business within such a possession (both of these tests being applied with respect to income received in the prior 3 years). A U.S. citizen or domestic corporation which qualifies for this treatment may exclude from its U.S. tax base gross income from sources outside the United States in the same way as nonresident aliens and foreign corporations not engaged in trade or business within the United States.
Subsidy costs	Fiscal year 1970, $10,000,000; fiscal year 1971, $10,000,000; fiscal year 1972, $10,000,000; fiscal year 1973, $10,000,000; fiscal year 1974, $10,000,000; fiscal year 1975, $10,000,000.

EXEMPTION OF INCOME EARNED ABROAD BY U.S. CITIZENS

Authorization	Sec. 911—Income earned from sources outside of United States.
Financial form	Tax subsidies.
Description	For citizens of the United States, income earned abroad (up to $20,000) for each complete tax year is exempted from taxation if the taxpayer is a bona-fide resident of a foreign country for an uninterrupted period that includes 1 full tax year or, if he is present there 510 days during a period of 18 consecutive months. After 3 years, of foreign residence the taxpayer may exclude up to $25,000 a tax year.
Subsidy costs	Fiscal year 1970, $45,000,000; fiscal year 1971, $40,000,000; fiscal year 1972, $50,000,000; fiscal year 1973; $50,000,000; fiscal year 1974, $50,000,000; fiscal year 1975, $60,000,000.

DOMESTIC INTERNATIONAL SALES CORP.

Authorization	26 U.S.C. pt. IV, 991 et seq.
Financial form	Tax subsidies.
Description	DISC is a special provision designed to encourage U.S. exports. Companies set up special "paper" corporations through which they funnel their export activities and thereby receive tax deferral for 50 percent of their export income. To qualify as a DISC, at least 95 percent of a corporation's gross receipts must arise from export sale or lease transactions and other export-related investments or activities. In addition, at least 95 percent of the corporation's assets must be export related. Included in export-related assets are "producer's loans" which are loans (subject to certain restrictions) made to the U.S. parent producer (or any other U.S. exporter) to the extent of the producer's assets used for export business. These loans by a DISC do not give rise to taxation of the DISC or the parent on the amounts loaned. Generally, present law requires sales between a parent corporation and its subsidiary to be made on an arm's length basis; that is, at the price the parent company would have charged an unrelated third party. Special pricing rules in the act permit a DISC to earn a larger relative amount of the profits arising on sales by the DISC of its parent company's export products.
Subsidy costs	Fiscal year 1970–72, $0; fiscal year 1973, $250,000,000; fiscal year 1974, $490,000,000; fiscal year 1975, $920,000,000.

EXPORT-IMPORT BANK

Administering agency	Export-Import Bank of the United States.
Identification	Authorization: Export-Import Bank Act of 1945, as amended. Budget account: Excluded from the budget by law. CFDA: Not listed.
Objectives	To aid U.S. commercial banks and U.S. exporters to capture large projects abroad and to sell to overseas purchasers products with large unit costs. To supplement private sources of financing where the private financial source is unwilling or unable to assume the political and commercial risks under current conditions; to extend credit on terms longer than those private lenders can provide; and to enable U.S. suppliers to provide terms on major projects competitive with those offered by Government-sponsored export financing institutions in other exporting countries.
Financial form	Direct loans and guaranteed/insured loans.
Direct recipient	Foreign purchasers of U.S. goods and services.
Interest rate and maturity.	Direct: Fiscal year 1970, 6 percent, 7 years; fiscal year 1971, 6 percent, 7 years; fiscal years 1972–75, 6 percent, 6 years.
Subsidy costs	Fiscal year 1970, $108,280,000; fiscal year 1971, −$2,650,000; fiscal year 1972, −$21,440,000, fiscal year 1973, $112,990,000; fiscal year 1974, $214,340,000; fiscal year 1975, $230,700,000.

FOREIGN MILITARY CREDIT SALES

Administering agency	Funds appropriated to the President.
Identification	Authorization: Foreign Military Sales Act, Public Law 90–629, 82 Stat. 1324. Budget account: 04–09–1082–0–1–057. CFDA: Not listed.

Objectives	To provide funds to finance credit sales of defense articles and services to foreign countries and international organizations.
Financial form	Direct loans.
Direct recipient	Countries friendly to the United States and international organizations.
Interest rate and maturity.	Fiscal year 1970, 6.71 percent, 9.9 years; fiscal year 1971, 5.86 percent, 8.4 years; fiscal year 1972, 5.73 percent, 9.2 years; fiscal year 1973, 6 percent, 10 years; fiscal year 1974, 6 percent, 10 years; fiscal year 1975, 6 percent, 10 years.
Subsidy costs	Fiscal year 1970, $2,390,000; fiscal year 1971, −$810,000; fiscal year 1972, $250,000; fiscal year 1973, $14,530,000; fiscal year 1974, $12,280,000; fiscal year 1975, $18,750,000.

DEVELOPMENT LOANS—REVOLVING FUND

(Agency for International Development)

Administering agency	Agency for International Development.
Identification	Authorization: Foreign Assistance Act of 1961, as amended, sec. 201; 22 U.S.C. 2161. Budget account: 04–12–4103–0–3–152. CFDA: Not listed.
Objectives	To extend loans, credit, and guarantees to American or foreign individuals, businesses, financial institutions, or foreign governments in order to provide capital for projects and programs contributing to the economic growth of friendly developing countries.
Financial form	Direct loans.
Direct recipient	Individuals, businesses, financial institutions, or foreign governments in friendly, non-Communist, less developed countries.
Interest rate and maturity.	Fiscal years 1970–75, 2 percent for a 10 year grace period; 3 percent for the last 30 years.
Subsidy costs	Fiscal year 1970, $232,570,000; fiscal year 1971, $164,650,000; fiscal year 1972, $129,520,000; fiscal year 1973, $188,530,000; fiscal year 1974, $261,230,000; fiscal year 1975, $300,860,000.

EMERGENCY ASSISTANCE FOR ISRAEL

Administering agency	Funds appropriated to the President.
Identification	Authorization: Section 108 of the Mutual Security Appropriation Act, 1956 (69 Stat. 438), as amended. Budget account: 04–09–1084–0–1–057. CFDA: Not listed.
Objectives	To provide emergency military credits to Israel. Amounts in excess of $1.5 billion may be committed only if the President determines it to be important to our national interest and reports the determination, his justifications, and the terms of the assistance to Congress at least 20 days prior to the obligation of the funds.
Financial form	Direct loans.
Direct recipient	Government of Israel.
Interest rate and maturity.	Fiscal years 1970, 1972–73, and 1975 not applicable; fiscal year 1971, 4 percent, 25 years; fiscal year 1974, 3 percent, 22 years.
Subsidy costs	Fiscal years 1970, 1972–73, 1975, $0; fiscal year 1971, $83,070,000; fiscal year 1974, $226,260,000.

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Administering agency	Commodity Credit Corporation (through Export Marketing Service), Department of Agriculture.
Identification	Authorization: Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1701–1710, 1721–1725, 1731–1736d). Budget account: 05–57–2274–0–1–154. CFDA: Not listed.
Objectives	To facilitate international trade, convertibility of currencies, and promote the stability of American agriculture, stimulate private economic enterprise in friendly countries.
Financial form	Direct loans.
Direct recipient	Countries friendly to the United States, individuals both foreign and domestic engaged in agriculture trade.
Interest rate and maturity	Fiscal year 1970, 2.5 percent, 33 years; fiscal year 1971, 2 percent, 25 years; fiscal year 1972, 2 percent, 25 years; fiscal year 1973, 2.5 percent, 33 years; fiscal year 1974, 2.3 percent, 33 years; fiscal year 1975, 2.3 percent, 33 years.
Subsidy costs	Fiscal year 1970, $210,590,000; fiscal year 1971, $181,960,000; fiscal year 1972, $147,420,000; fiscal year 1973, $247,000,000; fiscal year 1974, $348,700,000; fiscal year 1975, $331,240,000.

FOREIGN AGRICULTURAL MARKET DEVELOPMENT AND PROMOTION

Administering agency	Foreign Agricultural Service, Department of Agriculture.
Identification	Authorization: Title I, section 104(b) Agricultural Trade Development and Assistance Act of 1954 (Public Law 83–480). Title VI Agricultural Act of 1954 (Public Law 83–690). Executive Order 10900, dated January 5, 1961. Foreign Agricultural Service Regulations–title II. Budget Account: 05–51–2900–0–1–355; 05–51–2901–0–1–355. CFDA: 10.600.
Objectives	To create, expand, and maintain markets abroad for U.S. agricultural commodities.
Financial form	Benefits-in-kind.
Direct recipient	Cooperator preference is given to nonprofit U.S. agricultural trade groups which are industrywide or nationwide in membership and scope. Private firms are eligible when designated by a nonprofit trade organization to act in its behalf.
Formula requirements	Dependent upon the nature of the campaign. Cooperator must pay all dollar costs necessary for the operation of the U.S. headquarters and agreed upon share of salaries of overseas supervisory personnel.
Subsidy costs	Fiscal year 1970, $15,399,000; fiscal year 1971, $15,858,000; fiscal year 1972, $11,300,000; fiscal year 1973, $12,400,000; fiscal year 1974, $13,000,000; fiscal year 1975, $13,000,000.

HOUSING

GROSS BUDGETARY COSTS OF FEDERAL HOUSING SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
Public housing assistance	0	626	889	1,102	1,263	1,473
Rent supplements for low-income families	21	45	78	108	146	192
Rural self-help housing technical assistance	0	2	2	4	4	0
Housing rehabilitation grants	22	47	45	30	33	30
Farm labor housing grants	2	0	0	0	0	0
Special housing for disabled veterans	8	8	7	13	11	11
Tax subsidies:						
Deductibility of interest on owner-occupied homes	2,600	2,800	2,400	3,500	4,000	4,500
Deductibility of property taxes on owner-occupied homes	2,800	2,900	2,700	3,250	3,500	3,800
Excess depreciation on rental housing	275	255	500	600	(2)	600
Rehabilitation of low-income housing	0	0	25	40	50	65
Failure to tax imputed net rent	(2)	(2)	3,600	3,500	(2)	3,900
Credit subsidies:						
Mortgage insurance	1,698	1,123	2,174	1,783	1,462	855
Low rent public housing	1,174	1,060	1,282	380	958	283
Veterans housing, direct	13	11	11	34	0	0
Rural housing loans	95	−2	1	2	3	5
Total order of magnitude [1]	11,708	11,875	13,714	14,346	15,530	15,714

[1] Individual items may not add to totals due to rounding errors.
[2] Unavailable.

PUBLIC HOUSING ASSISTANCE

Administering agency	Housing Production and Mortage Credit/FHA, and Housing Management, Department of Housing and Urban Development.
Identification	Authorization: U.S. Housing Act of 1937, as amended; Public Law 75–412; 42 U.S.C. 1401–35. Budget account: 25–04–0139–0–1–555. CFDA: 14.146.
Objectives	To provide decent, safe, and sanitary low-rent housing and related facilities for families of low income through authorized local public agency ownership.
Financial form	Direct payments.
Direct recipients	Families of low income. A single person who is elderly, disabled, handicapped, displaced, or the remaining member of a tenant family is also eligible.
Subsidy costs	Fiscal year 1970, $472,619; fiscal year 1971, $626,354,000; fiscal year 1972, $889,114,000; fiscal year 1973, $1,101,810,000; fiscal year 1974, $1,263,000,000; fiscal year 1975, $1,473,000,000.

RENTAL SUPPLEMENTS-RENTAL HOUSING FOR LOWER INCOME FAMILIES

Administering agency	Housing Production and Mortgage Credit/FHA and Housing Management, Department of Housing and Urban Development.
Identification	Authorization: Housing and Urban Development Act of 1965; Public Law 89–117; 12 U.S.C. 1701(s). Budget account: 25–04–0139–0–1–555. CFDA: 14.149.
Objectives	To make good quality rental housing available to low-income families at a cost they can afford.
Financial form	Direct payments.
Direct recipient	Families must be within the income limits prescribed for admission to public housing in order to qualify for benefits under this program, in addition to meeting certain eligibility criteria such as 62 years of age (or older), physically handicapped, living in substandard housing, or whose unit was damaged or destroyed by natural disaster. Certain military personnel are also eligible to receive rent supplement benefits.
Formula requirements	HUD makes monthly payments to project owners to make up the difference between the partial rentals paid by assisted tenants and the market rental. Assisted tenants pay at least 25 percent of their adjusted monthly income (after certain deductions) for rent.
Subsidy costs	Fiscal year 1970, $20,725,000; fiscal year 1971, $44,616,000; fiscal year 1972, $77,608,000; fiscal year 1973, $108,143,000; fiscal year 1974, $146,000,000; fiscal year 1975, $192,000,000.

RURAL SELF-HELP HOUSING TECHNICAL ASSISTANCE

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Housing Act of 1949 as amended, sec. 523; Public Law 89–117 and Public Law 89–754; 42 U.S.C. 1490c. Budget account: 05–75–2006–0–1–532. CFDA: 10.420.
Objectives	To provide financial support for the promotion of a program of techical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual self-help efforts in rural areas.
Financial form	Direct payments.
Direct recipient	Low-income rural family.

Subsidy costs	Fiscal year 1970, not applicable—new program; fiscal year 1971, $1,729,900; fiscal year 1972, $1,617,910; fiscal year 1973, $3,728,000; fiscal year 1974, $3,832,000; fiscal year 1975, no program is planned.

HOUSING REHABILITATION GRANTS

Administering agency	Community Development, Department of Housing and Urban Development.
Identification	Authorization: Housing Act of 1949, sec. 115 as added by the Housing and Urban Development Act of 1965, sec. 160(a); Public Law 59–117; 79 Stat. 451–457; 42 U.S.C. 1406. Budget account; 25–12–4035–0–3–551. CFDA: 14.308.
Objectives	To provide funds for the rehabilitation of residential properties.
Financial form	Direct payments.
Direct recipient	Owner-occupants of residential properties (up to four units). When grantee's income exceeds $3,000 per year, the grant may be reduced if the housing expense is less than 25 percent of his income.
Subsidy costs	Fiscal year 1970, $22,300,000; fiscal year 1971, $47,300,000; fiscal year 1972, $44,649,000; fiscal year 1973, $30,200,000; fiscal year 1974, $32,700,000; fiscal year 1975, $30,000,000.

FARM LABOR HOUSING GRANTS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Housing Act of 1949, as amended, secs. 514 and 516; Public Law 89–117 and 89–754; 42 U.S.C. 1484 and 1486. Budget account: 05–60–2004–0–1–352. CFDA: 10.405.
Objectives	To provide decent, safe, and sanitary low-rent housing and related facilities for domestic farm laborers.
Financial form	Direct cash payments.
Direct recipient	States, political subdivisions of States, and certain nonprofit organizations and other public organizations may qualify for grants. Grants are available when there is a pressing need and when there is a reasonable doubt that such facilities could be provided without grant assistance. Facilities are then provided to those who are classified as farm laborers.
Subsidy costs	Fiscal year 1970, $2,134,000; fiscal year 1971, $136,550; fiscal year 1972, end of program.

SPECIAL HOUSING FOR DISABLED VETERANS

Administering agency	Department of Veterans' Benefits, Veterans' Administration.
Identification	Authorization: Public Laws 80–702 and 92–341; 38 U.S.C. 801–806. Budget account: 29–00–0137–0–1–802. CFDA: 64.106.
Objectives	To assist certain totally disabled veterans in acquiring a suitable housing unit, with special fixtures and facilities made necessary by the nature of the veteran's disabilities. The program provides 50 percent of the cost to the veteran of the housing unit, land, fixtures, and allowable expenses, not to exceed $12,500. The money may be used for assistance in (*a*) construction of a suitable home on land to be acquired by the veteran, or (*b*) construction of a home on suitable land he owns, or (*c*) remodeling his existing home if it can be suitably adapted, or (*d*) for application against an outstanding mortgage on a specially adapted home he owns.

Financial form	Direct cash payments.
Direct recipient	Veterans with permanent, total, and compensable disabilities based on service after April 20, 1898. It must be medically feasible for the veterans to reside in the proposed or existing housing unit, and in the locality.
Subsidy costs	Fiscal year 1970, $7,800,000; fiscal year 1971, $8,017,000; fiscal year 1972, $7,100,000; fiscal year 1973, $12,891,000; fiscal year 1974, $11,375,000; fiscal year 1975, $11,375,000.

DEDUCTIBILITY OF INTEREST ON OWNER-OCCUPIED HOMES

Authorization	Sec. 163 of Internal Revenue Code.
Financial form	Tax subsidies.
Description	Owner occupants of homes may deduct mortgage interest as itemized nonbusiness deductions. This provision dates back to the Revenue Act of 1918, when the deductibility of interest payments for conventional business expenses was expanded. It is now also widely held that this tax provision provides encouragement to homeownership, which it is argued is beneficial to both the community and the individual. The present law allows the deduction of interest paid, except on indebtedness incurred for the purchase of tax-free obligations or securities. This is difficult of administration, for in many cases it is impossible to tell for what purpose indebtedness is incurred. A man, for example, may have a mortgage on his house and have $1,000 in the bank. He borrows $1,000 and buys a Liberty bond and makes a payment on his mortgage. For what purpose was the $1,000 borrowed? The proposed bill allows the deduction of all interest paid in excess of the amount of interest received free from income tax. This is easy of administration and carries out the general purpose of the existing law. (Quote from House report on the Revenue Act of 1918.)
Subsidy costs	Fiscal year 1970, $2,600,000,000; fiscal year 1971, $2,800,000,000; fiscal year 1972, $2,400,000,000; fiscal year 1973, $3,500,000,000; fiscal year 1974, $4,000,000,000; fiscal year 1975, $4,500,000,000.

DEDUCTIBILITY OF PROPERTY TAXES ON OWNER-OCCUPIED HOMES

Authorization	Section 164 of Internal Revenue Code.
Financial form	Tax subsidies.
Description	This provision of the tax code was a part of the original 1913 Revenue Act. The act stated that: "Third, all National, State, county, school, and municipal taxes paid within the year, not including those assessed against local benefits." It appears that taxes were excluded as the result of legislators attempting to find an appropriate definition of net income. It is now also widely held that this tax provision provides encouragement to homeownership, which it is argued is beneficial to both the community and the individual.
Subsidy costs	Fiscal year 1970, $2,800,000,000; fiscal year 1971, $2,900,000,000; fiscal year 1972, $2,700,000,000; fiscal year 1973, $3,250,000,000; fiscal year 1974, $3,500,000,000; fiscal year 1975, $3,800,000,000.

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DEPRECIATION ON RENTAL HOUSING

Authorization	Sec. 167(f)—Depreciation.
Financial form	Tax subsidies.
Description	The owners of rental housing may claim in early years depreciation in excess of straight-line depreciation. The 1969 Tax Reform Act limited the depreciation allowance to 125 percent, declining balance depreciation for used residential property. Five-year amortization for the rehabilitation of low-income rental housing was also provided for.
Subsidy costs	Fiscal year 1970, $275,000,000; fiscal year 1971, $255,000,000; fiscal year 1972, $500,000,000; fiscal year 1974, figures unavailable, fiscal year 1975, $600,000,000.

REHABILITATION OF LOW-INCOME HOUSING

Authorization	Sec. 167(k) of Internal Revenue Code.
Financial form	Tax subsidies.
Description	To encourage rehabilitation of buildings for low- and moderate-income rental housing, the act allows taxpayers to elect to compute depreciation on rehabilitation expenditures which are made after July 24, 1969, under the straight-line method over a period of 60 months, if the additions or improvements have a useful life of 5 years or more. This rapid depreciation is limited to expenditures made prior to January 1, 1975, in order to provide an opportunity for the Congress to evaluate the effectiveness and cost of the new incentive. It is available only for low-income rental housing where the dwelling units are held for occupancy for families or individuals of low or moderate income, consistent with the policies of the Housing and Urban Development Act of 1968. The 60-month rule does not apply to hotels, motels, inns, or other establishments, where more than one-half of the units are used on a transient basis. To qualify for the 60-month depreciation, the aggregate rehabilitation expenditures as to any housing may not exceed $15,000 per dwelling unit, and the sum of the rehabilitation expenditures for 2 consecutive taxables years—including the taxable year—must exceed $3,000 per rental unit. (Quote from the staff report of the Joint Committee on Internal Revenue Taxation, p. 182.)
Subsidy costs	Fiscal years 1970 and 1971, $0; fiscal year 1972, $25,000,000; fiscal year 1973, $40,000,000; fiscal year 1974, $50,000,000; fiscal year 1975, $65,000,000.

EXCLUSION OF IMPUTED NET RENT

Authorization	Section 61 of the Internal Revenue Code is where income is defined so as to exclude imputed net rent.
Financial form	Tax subsidies.
Description	The tax system discriminates in favor of those who own homes by making their tax liability less than those who rent. Those who rent pay taxes on all their income, including that portion of their income spent on rent. Those who own their homes receive part of their income in kind, by living in their home, but this income is not reflected in any market transaction, and, therefore, it escapes the income tax system. If the homeowner were to rent his home, or use the equity in his home to purchase other securities, he would have to pay taxes on the income generated. Homeownership makes it possible to avoid such taxes because the income tax system has been defined so as to exclude the in-kind income generated from the asset of an owner-occupied home. Again, it is widely held that this aspect of the tax law encourages homeownership.

Subsidy costs	Fiscal years 1970 and 1971, figures unavailable; fiscal year 1972, $3,600,000,000; fiscal year 1973, $3,500,000,000; fiscal year 1974, figures unavailable; fiscal year 1975, $3,900,000,000.

MORTGAGE INSURANCE

Administering agency	Housing Production and Mortgage Credit, Federal Housing Administration, Department of Housing and Urban Development.
Identification	Authorization: National Housing Act, as amended. Budget account: 25–02–4070–0–3–556. CFDA: 14.112, 14.115, 14.117, 14.120, 14.122, 14.123, 14.125, 14.126, 14.127, 14.132, 14.134, 14.137, 14.138, 14.139, 14.140, 14.142, 14.154.
Objectives	These programs are intended to encourage various types of housing activity. They include different types of housing such as condominiums, mobile homes, single family dwellings, apartments, and cooperatives. Some are for rental property, others for assisting in the purchase of housing. Some programs are targeted at special groups such as the elderly or the poor. Some programs are designed to improve housing in specific areas such as urban renewal areas or older developments.
Financial form	Direct and guaranteed loans.
Direct recipient	Ultimately the occupants of the housing benefit from these programs, but in many cases the funds are funneled through a third party such as a private developer or a nonprofit public agency.
Interest rate and maturity.	Direct loans: 5.6 percent, 30 years; guaranteed loans: 2 percent, 34–34.5 years.
Subsidy costs	Fiscal year 1970, $1,697,910,000; fiscal year 1971, $1,123,300,000; fiscal year 1972, $2,174,430,000; 1973, $1,782,900,000; fiscal year 1974, $1,461,980,000, fiscal year 1975, $854,960,000.

LOW-RENT PUBLIC HOUSING

Administering agency	Housing Production and Mortgage Credit/FHA, Department of Housing and Urban Development.
Identification	Authorization: U.S. Housing Act of 1937, as amended; Public Law 75–412; 42 U.S.C. 1401–1435. Budget account: 25–02–4098–0–3–555. CFDA: 14.146; 14.147.
Objectives	To provide decent, safe and sanitary low-rent housing and related facilities for low-income families either through public agencies or by providing the opportunity for home ownership.
Financial form	Direct and guaranteed/insured loans.
Direct recipient	Low income families.
Interest rate and maturity.	Direct: Fiscal years 1970–75, 0 percent, 1.5 years. Guaranteed/insured loans: fiscal years 1970–75, 0 percent, 41.5 years.
Subsidy costs	Fiscal year 1970, $1,173,510,000; fiscal year 1971, $1,060,200,000; fiscal year 1972, $1,282,090,000; fiscal year 1973, $379,790,000; fiscal year 1974, $957,510,000, fiscal year 1975, $283,120,000.

RURAL HOUSING LOANS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Housing Act of 1949, as amended, section 502, 523, 524, 515, 521, 504; Public Law 89–117; Public Law 89–754, 42 U.S.C. 1472, 1474, 1490c, 1490d, 1485, 1490a, and 7 U.S.C. 1933. Budget account: 05–75–4141–0–3–352. CFDA: 10.410, 10.411, 10.415, 10.417.

Objectives	To assist rural families obtain housing and related facilities. Funds are generally used for construction, repair, or purchase of housing, housing sites, sewage facilities, and related essential equipment which becomes part of the real estate.
Financial form	Direct loans.
Direct recipient	Individuals, cooperatives, and nonprofit organizations.
Interest rate and maturity.	Direct: Fiscal year 1970, 6.3 percent, 33 years; fiscal year 1971, 7.25 percent, 33 years; fiscal year 1972, 4.5 percent, 25 years, fiscal year 1973, 2.10 percent, 29.2 years; fiscal year 1974, 1 percent, 10 years; fiscal year 1975, 1 percent, 10 years.
Subsidy costs	Fiscal year 1970, $95,470,000; fiscal year 1971, $2,150,000; fiscal year 1972, $580,000; fiscal year 1973, $2,150,000; fiscal year 1974, $2,610,000; fiscal year 1975, $5,230,000.

NATURAL RESOURCES

GROSS BUDGETARY COSTS OF FEDERAL NATURAL RESOURCE SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
Great Plains conservation	15	11	13	13	12	([2])
Emergency conservation measures	16	16	12	18	23	([2])
Water bank program	0	0	0	8	9	([2])
Youth Conservation Corps—Grants to States	0	1	3	0	3	3
Rural environmental program	0	0	0	0	0	119
Conservation reserve program	36	0	([3])			
Tax subsidies:						
Capital gains treatment for cutting timber	140	130	175	175	240	260
Expensing mineral exploration and development	340	325	325	650	([4])	860
Excess of percentage over cost depletion	1,470	980	985	1,700	([4])	2,960
Pollution control amortization	15	15	15	25	35	40
Capital gains treatment on coal and iron royalties	5	5	5	5	5	5
Credit subsidies (programs are included in other loan accounts as noted in individual program discussions).						
Benefits-in-kind:						
Water and waste disposal systems for rural communities	45	41	300	29	50	100
State private forestry cooperation	26	22	26	23	23	([4])
Resource conservation and development	11	14	16	22	24	24
Total order of magnitude [1]	2,119	1,560	1,875	2,667	4,516	4,392

[1] Individual items may not add to totals due to rounding errors.
[2] Proposed for inclusion in the Rural Environmental Program.
[3] Terminated.
[4] Not available.

GREAT PLAINS CONSERVATION

Administering agency	Soil Conservation Service, Department of Agriculture.
Identification	Authorization: Soil Conservation and Domestic Adjustment Act and Agriculture Adjustment Act of 1938, as amended by the Great Plains Act of August 7, 1956, Publication 84–1021 and Public Law 86–793, approved September 14, 1960, and Public Law 91–118, approved November 18, 1969. Budget account: 05–78–2268–0–1–354. CFDA: 10.900.
Objectives	Maintain resource base by assisting farmers, ranchers, and others install conservation plans for whole operating units through a program of scheduled technical assistance and long-term contractual cost sharing that will bring improved stability to the Great Plains area by converting lands unsuited for cropping to other uses and arrest deterioration of crop grazing lands.
Financial form	Direct payments.
Direct recipient	Applicant must have control of the land for the period of the contract running from a minimum of 3 years to a maximum of 10 years.
Formula requirements	Cost sharing to participant ranges for specified conservation practices from 80 percent of the cost (in case of work most urgently needed to stabilize lands in the Great Plains area) to 50 percent for practices where need is less urgent.
Subsidy cost	Fiscal year 1970, $15,426,000; fiscal year 1971, $11,060,000; fiscal year 1972, $12,646,219; fiscal year 1973, $12,573,046; fiscal year 1974, $12,300,000; fiscal year 1975, proposed for inclusion in the rural environmental program.

EMERGENCY CONSERVATION MEASURES

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization; Public law 85–58 (Third Supplemental Appropriation Act, 1957) 16 U.S.C. 590H. Budget account: 05–60–3316–0–1–354. CRDA: 10.054.
Objectives	To enable farmers to perform emergency conservation measures to control wind erosion on farmlands, or to rehabilitate farmlands damaged in wind erosion, floods, hurricanes, or other natural disasters. Emergency cost sharing is limited to new conservation problems created by natural disasters which if not treated will impair or endanger the land; materially affect the productive capacity of the land; represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area; and will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.
Financial form	Direct payments.
Direct recipient	Anyone in keeping with the above objective who has control of land for the period of the contract running from a minimum of 3 years to a maximum of 10 years.
Formula requirements	Cost-share payment or advance of conservation materials or service in lieu of payments is required. The agricultural producer usually pays about 20 percent of the conservation practice.
Subsidy costs	Fiscal year 1970, $15,913,000; fiscal year 1971, $16,241,207; fiscal year 1972, $11,685,395; fiscal year 1973, $18,361,974; fiscal year 1974, $23,200,000; fiscal year 1975, proposed for inclusion in the rural environmental program.

WATER BANK PROGRAM

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Water Bank Act, 16 U.S.C. 1301–1311, Public Law 91–559. Budget account: 05–60–3320–0–1–354. CFDA: 10.062.
Objectives	To preserve, restore, and improve the wetlands of the Nation, and thereby to conserve surface waters, to preserve and improve habitat for migratory waterfowl and other wildlife resources, to reduce runoff, soil and wind erosion, and contribute to flood control, to contribute to improved water quality and reduce stream sedimentation, to contribute to improved subsurface moisture, to reduce acres of new land coming into production, and to retire lands now in agricultural production, to enhance the beauty of the landscape, and to promote comprehensive water management planning.
Financial form	Direct payments.
Direct recipient	Owners and operators of wetlands.
Subsidy cost	Fiscal year 1970, $0, new program; fiscal year 1971, $0, new program; fiscal year 1972, $130,000; fiscal year 1973, $7,656,180; fiscal year 1974, $9,000,000; fiscal year 1975, proposed for inclusion in the rural environmental program.

YOUTH CONSERVATION CORPS GRANTS TO STATES

Administering agency	Forest Service, Department of Agriculture.
Identification	Authorization: Youth Conservation Corps Act of 1970, as amended by Public Law 92–597, October 27, 1972); Department of the Interior and Related Agencies Appropriation Act, 1974. Budget account: 05–96–1125–0–1–402. CFDA: 10.661.
Objectives	To provide (1) gainful employment of America's youth, ages 15 through 18, during the summer months in a healthful outdoor atmosphere, (2) to further development and maintenance of the natural resources of the United States by the youth, and (3) an opportunity for understanding and appreciation of the Nation's natural environment and heritage.
Financial form	Direct payments.
Direct recipient	Those youths who participate in the program.
Subsidy costs	Fiscal year 1970, $0, new program; fiscal year 1971, $1,145,000; fiscal year 1972, $2,757,000; fiscal year 1973, $0; fiscal year 1974, $2,780,000; fiscal year 1975, $2,780,000.

RURAL ENVIRONMENTAL PROGRAM

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Soil Conservation and Domestic Allotment Act; sections 7 to 15, 16(a), 16(b), and 17, as amended and supplemented (16 U.S.C. 590g–590o, 590p(b), and 590q). The Water Bank Act (16 U.S.C. 1301–1311); and sections 1001 to 1010 of the Agriculture and Consumer Protection Act of 1973 (87 Stat. 241 to 246). Budget account: 05–60–3317–0–1–354. CFDA: Not listed.

Objectives	The New National program would provide for three groups of practices, or functions, representing the three basic program objectives: (1) Soil and water conservation, (2) timber incentives, and (3) recreation and wildlife. The primary objective of soil and water conservation would be to encourage farmers and ranchers to carry out whole farm, long term conservation plans. Among the objectives of cost sharing for timber production is the increased supply of saw timber or nonindustrial private lands. The primary objective of recreation and wildlife would be for preserving wetlands for increasing migratory and other waterfowl populations. $10 million of the cost share funds available each year would be reserved for use in designated emergency areas to finance restoration of damage to agricultural lands caused by natural disaster.
Financial form	Direct payments.
Direct recipient	Any farmer, rancher, landlord, or tenant who receives money or benefits under the program.
Subsidy costs	Fiscal years 1970–74, $0 (new program—not applicable); fiscal year 1975, $118,800,000.

CONSERVATION RESERVE PROGRAM

Administering agency	Agricultural Stabilization and Conservation Service, Department of Agriculture.
Identification	Authorization: Soil Bank Act of 1956. Budget account: 05–60–3369–0–1–351. CFDA: Not listed.
Objectives	To bring total crop acreage more nearly in line with demand by withdrawing cropland from production and to establish and maintain sound conservation practices on the land withdrawn.
Financial form	Direct payments.
Direct recipient	Landowners who agree to withdraw land from production.
Subsidy cost	Fiscal year 1970, $35,900,000; fiscal year 1971, $0; fiscal year 1972, $0; fiscal year 1974, −$135,000; fiscal year 1974, −$79,000; fiscal year 1975, program terminated.

CAPITAL GAINS TREATMENT FOR CUTTING LUMBER

Authorization	Sec. 691—Gain or loss in the case of timber, coal, or domestic iron ore (a) election to consider cutting as sale or exchange, (b) disposal of timber with a retained economic interest.
Financial form	Tax subsidies.
Description	The gain on the cutting of timber is taxed at the rates applicable to long-term capital gains, rather than at ordinary income rates. However, if losses are in excess of the gains, they are treated as ordinary losses. The Revenue Act of 1943 extended sec. 117(j) treatment to income from the cutting or other disposition of timber. It had been observed that, under the 1942 legislation, a taxpayer might obtain capital gains treatment for gains realized on the sale of timber sold outright as a stand, although he would receive ordinary income tax treatment on income derived from cutting the timber. Moreover, gain from the sale of timber, however disposed of, was regarded as accruing over a relatively long period during which the trees matured and, therefore, as not properly taxable in full in the single year in which the gain was realized. ("The Federal Tax System: Facts and Problems," Joint Economic Committee, 1964, p. 69.)

Subsidy costs	Fiscal year 1970, $140,000,000; fiscal year 1971l $130,000,000; fiscal year 1972, $175,000,000; fisca, year 1973; $175,000,000; fiscal year 1974, $240,000,000; fiscal year 1975, $260,000,000.

EXPENSING OF MINERAL EXPLORATION AND DEVELOPMENT COSTS

Authorization	Sec. 616—Development expenditures. Sec. 617—Deduction and recapture of certain mining exploration expenditures.
Financial form	Tax subsidies.
Description	Certain capital costs necessary to bring a mineral deposit into production may be deducted as current expenses rather than spread over the useful life of the property. Included in this category are the intangible drilling costs of oil and gas wells and the cost of developing other mineral deposits, such as mine shafts, tunnels, and stripping. It is held by advocates that this subsidy provides a desired incentive for mineral exploration.
Subsidy costs	Fiscal year 1970, $340,000,000; fiscal year 1971, $325,000,000; fiscal year 1972, $325,000,000; fiscal year 1973, $650,000,000; fiscal year 1974, figures unavailable; fiscal year 1975, $860,000,000.

EXCESS OF PERCENTAGE OVER COST DEPLETION

Authorization	Sec. 611—Allowances of deduction for depletion. Sec. 612—Basis for cost depletion. Sec. 613—Percentage depletion.
Financial form	Tax subsidies.
Description	Extractive industries may choose between two methods of recovering capital costs invested in the development of natural resources. Under one method, actual outlays to the extent not immediately expensible may be deducted as "cost depletion" over the productive life of the property, much as other businesses may take deductions for the depreciation of capital goods. Alternatively, businesses in the extractive industries may deduct a prescribed percentage of gross income (at rates ranging from 27.5 percent for oil and gas to 5 percent for certain minerals, but not more than 50 percent of net income) where such "percentage depletion" exceeds "cost depletion." Percentage depletion is not limited to the cost of the investment as is cost depletion. The basis for "cost depletion" is reduced to the extent certain costs are recovered through expensing of exploration and discovery costs and intangible drilling costs. There is no comparable reduction in "percentage depletion" to allow for costs which are allowed as expenses. The Tax Reform Act of 1969, reduced the rate to 22 percent for oil and gas (formerly 27.5 percent) and also reduced the rate to 22 percent for minerals which were formerly in the 23-percent category. Minerals which were in the 15-percent category were reduced to 14 percent. Percentage depletion was adopted in 1926, when the prior allowances based on discovery value in the case of oil and gas proved difficult to administer and produced varying results. At that time, it was recognized that percentage depletion could permit taxpayers to recover amounts in excess of their investments. This was deemed justified on the ground it would have the beneficial effect of stimulating

Discription—Con	exploration for, and discovery of, new reserves of vitally needed oil and gas * * * In adopting the act, the Congress concluded that if percentage depletion rates are viewed as a needed stimulant at the present time, they were higher than needed to achieve the desired increase in reserves. ("General Explanation of the Tax Reform Act of 1969," p. 156.)
Subsidy costs	Fiscal year 1970, $1,470,000,000; fiscal year 1971, $980,000,000; fiscal year 1972, $985,000,000; fiscal year 1973, $1,700,000,000; fiscal year 1974, figures unavailable; fiscal year 1975, $2,960,000,000.

POLLUTION CONTROL AMORTIZATION

Authorization	(After 1969 Tax Reform Act) Sec. 169—Amortization of pollution control facilities.
Financial form	Tax subsidies.
Description	This program was first introduced in the 1969 Tax Reform Act and will last until December 31, 1974. Certified facilities with a normal useful life of 15 years or less may be amortized over a period of 60 months. The Congress recognized that an important challenge facing our Nation is the problem of environmental pollution. Congress has addressed itself to the air and water pollution problem in legislation which it has passed in recent years. In order to deal effectively with the Nation's air and water pollution problem, however, it concluded a significant part of the task must be met by private industry. In effect, private industry is being asked to make an investment which, in part, is for the benefit of the general public. It also has been estimated that existing factories which attempt to curb pollution effectively through the addition of antipollution equipment may face significant increases in capital costs. Moreover, expenditures for pollution control equipment generally do not result in any increase in the profitability of a plant. In the past, companies which installed antipollution equipment involving property of a type for which the investment credit was available received, in effect, an incentive through this credit for dealing with the pollution problem. The repeal of the investment credit, therefore, would have an undesirable effect on the efforts made by private industry to combat pollution were not another type of incentive to be made available. To deal with the undesired effect on pollution control of repealing the investment credit and at the same time to deal with the increasing air and water pollution problem facing the Nation, the Congress concluded that it was appropriate to provide an incentive to private industry for antipollution efforts. It concluded, however, that it was more appropriate to permit the rapid recovery of the costs involved than to permit a return in excess of total costs. (This and the previous three paragraphs are quoted from the "General Explanation of the Tax Reform Act of 1969," p. 207–8.)
Subsidy cost	Fiscal year 1970, $15,000,000; fiscal year 1971, $15,000,000; fiscal year 1972, $15,000,000; fiscal year 1973, $25,000,000; fiscal year 1974, $35,000,000; fiscal year 1975, $40,000,000.

CAPITAL GAIN TREATMENT OF ROYALTIES ON COAL AND IRON ORE

Authorization	Section 631—Gain or loss in the case of timber, coal or domestic iron ore. (c) Disposal of coal or domestic iron ore with a retained economic interest.
Financial form	Tax subsidies.
Description	Royalties from coal or iron ore deposits are treated as capital gains. The committee believes that the tax treatment now available with respect to coal royalties also should be extended to iron ore royalties as well. The capital gains treatment was made available in the case of coal royalties in part at least to encourage leasing, and therefore production, at a time when the coal industry was facing strong competition from other forms of fuel energy. Today, domestic iron ore production also generally is decreasing. The capital gains treatment provided by this bill should encourage domestic leasing of iron ore properties to operators, and therefore should improve the position of domestic iron ore production relative to foreign production. (House report on Revenue Act of 1964).
Subsidy costs	Fiscal year 1970, $5,000,000; fiscal year 1971, $5,000,000; fiscal year 1972, $5,000,000; fiscal year 1973, $5,000,000; fiscal year 1974, $5,000,000; fiscal year 1975, $5,000,000.

WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Consolidated Farm and Rural Development Act, Section 306, Public Law 92–419, 7 U.S.C. 1926. Budget account: 05–75–4155–0–3–352. CFDA: 10.418.
Objectives	To provide basic human amenities, alleviate health hazards and promote the orderly growth of the rural areas of the Nation by meeting the need for new and improved rural water and waste disposal systems. Finds may be used for the installation, repair, improvement, or expansion of a rural water system including distribution lines, well, pumping facilities and costs related thereto.
Financial form	Guaranteed and insured loans.
Direct recipient	Municipalities, counties, and other political subdivisions of a State, such as districts and authorities; associations, cooperatives, and corporations operated on a not-for-profit basis; and Indian tribes on Federal and State reservations and other Federally recognized Indian tribes. Grants are made only when necessary to reduce the average annual residential user charges to a reasonable level.
Interest rate and maturity.	Unavailable.
Subsidy costs	Information was not avilable to calculate the costs of this program independently of the program titled "Community Facilities Loans" on table 3. The value of loans guaranteed under this program was: fiscal year 1970, $146,000,000; fiscal year 1971, $261,703,930; fiscal year 1972, $299,999,000; fiscal year 1973, $399,995,000; fiscal year 1974, $470,000,000; fiscal year 1975, $400,000,000.

WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Consolidated Farm and Rural Development Act, section 306; Public Law 92–419; 7 U.S.C. 1926. Budget account: 05–75–2066–0–1–352. CFDA: 10.418.
Objectives	To provide basic human amenities, alleviate health hazards and promote the orderly growth of the rural areas of the Nation by meeting the need for new and improved rural water and waste disposal systems.
Financial form	Benefits-in-kind.
Direct recipient	Municipalities, counties, and other political subdivisions of a State, such as districts and authorities; associations, cooperatives, and corporations operated on a not-for-profit basis; and Indian tribes on Federal and State reservations and other federally recognized Indian tribes.
	Facilities shall primarily serve rural residents. The service area shall not include any area in any city or town having a population in excess of 10,000 inhabitants according to the latest decennial census of the United States.
	The applicant must: (1) be unable to finance the proposed project from its own resources or through commercial credit at reasonable rates and terms, and (2) have the legal authority necessary for constructing, operating, and maintaining the proposed facility or service, and for obtaining, giving security for, and repaying the proposed loan. Plans and specifications must be developed to comply with State and local health and pollution regulations and other requirements. Grants are made only when necessary to reduce the average annual residential user charges to a reasonal level.
Formula requirements	Funds are allocated to States based upon rural population and income.
Subsidy costs	Fiscal year 1970, $44,800,000; fiscal year 1971, $41,355,200; fiscal year 1972, $299,999,000; fiscal year 1973, $29,330,000; fiscal year 1974, $50,000,000; fiscal year 1975, $100,000,000.

STATE AND PRIVATE FORESTRY COOPERATION

Administering agency	Forest Service, Department of Agriculture.
Identification	Authorization: Forest Pest Control Act of June 25, 1947. (16 U.S.C. 594–1 to 594–5). Clarke-McNary Act of June 7, 1924, section 1, as amended, sec. 2, as amended and supplemented. Budget account: 05–96–1100–0–1–402; 05–96–1101–0–1–402; 05–20–1066–0–1–401; 05–20–1036–0–1–401; 05–20–1067–0–1–401; 05–20–1069–0–1–401. CFDA: 10.650.
Objectives	To provide maximum benefits to the people of this Nation by furthering the protection, sound management, and wise use of non-Federal forest and certain nonforested watershed lands.
Financial form	Benefit-in-kind. Programs are used to provide the following assistance, normally through State forestry agencies and/or soil and water conservation districts for protection, management, and development of

Financial form—Con..	State, local, and privately owned forest land, and to build for rural America new and greater opportunities. (1) Forest fire prevention and control; (2) forest insect and disease control; (3) timber growing and timber harvesting; (4) timber stand improvements and tree planting; (5) utilization and marketing of forest products; (6) multiple use planning of forest land resources; (7) forest tree improvement; (8) planning, development environment, improvement and rural industrialization; (9) watershed protection, improvement, and flood prevention on forest and wildlands; (10) emergency flood prevention caused by natural disasters; (11) protection of rural lands against fire in national emergency; (12) technical services for Federal cost-sharing and loan programs on forest land.
Direct recipient.....	State forestry and other State agencies, local governments and organizations, private woodland owners, and private forest industries.
Subsidy costs.....	Fiscal year 1970, $26,144,000; fiscal year 1971, $22,050,000; fiscal year 1972, $26,327,500; fiscal year 1973, $22,565,600; fiscal year 1974, $23,030,600; fiscal year 1975, unavailable.

RESOURCE CONSERVATION AND DEVELOPMENT

Administering agency..	Soil Conservation Service, Department of Agriculture.
Identification.....	Authorization: Food and Agriculture Act of 1962; Public Law 87–703; 76 Stat. 607; 7 U.S.C. 1010, 1011 (Supp. V) 1959–1963; Public Law 91–343; 7 U.S.C. 1011(e); Public Law 74–46; Public Law 92–419. Budget account: 05–78–1010–0–1–354. CFDA: 10.901.
Objectives.....	To assist local people in initiating and carrying out long-range program of resource conservation and development for purposes of achieving a dynamic rural community with satisfactory level of income and pleasing environment, and creating a favorable investment climate attractive to private capital.
Financial form.....	Benefits-in-kind.
Direct recipient.....	Public agencies and organizations with authority to plan or carry out activities relating to resource use and development.
Formula requirements..	Local or State agencies must provide land rights needed for the installation of all measures except for recreation and fish and wildlife developments where financial assistance may be available for up to 50 percent of the cost of land rights acquisition. R.C. & D. assistance may be provided for up to 100 percent of construction costs of flood prevention measures. Local or State agencies generally must provide for 50 percent of construction costs of agriculture water management, fish and wildlife and recreational structures, and must provide for operation and maintenance, and for all needed water rights. Loan assistance may be provided for the local share of project cost.
Subsidy cost.....	Fiscal year 1970, $11,101,000; fiscal year 1971, $13,565,000, fiscal year 1972, $16,243,000; fiscal year 1973, $21,889,661; fiscal year 1974, $23,876,000; fiscal year 1975, $24,347,440.

TRANSPORTATION

GROSS BUDGETARY COSTS OF FEDERAL TRANSPORTATION SUBSIDIES

[In millions of dollars]

	Fiscal year—					
	1970	1971	1972	1973	1974	1975
Direct cash payments:						
Air carrier payments	38	63	67	66	74	73
Operating differential subsidies	194	252	182	224	219	220
Construction differential subsidies	68	171	279	436	305	281
Tax subsidies:						
Deferral of tax on shipping companies	10	10	10	30	40	40
Rail freight car amortization	0	105	45	80	40	10
Benefits-in-kind:						
Airport development aid	0	170	280	207	300	310
Airport planning grants	10	4	9	10	10	13
Urban mass transit capital improvement grants	133	285	510	844	872	1,255
National Rail Passenger Corporation	80	0	0	103	103	143
Small navigation projects	1	2	2	4	3	3
Total order of magnitude [1]	534	973	1,410	1,893	1,886	2,267

[1] Individual items may not add to totals due to rounding errors.

AIR CARRIER PAYMENTS

Administering agency	Civil Aeronautics Board.
Identification	Authorization: Federal Aviation Act of 1958, as amended; sec. 406; Public Law 72–763, as amended by 76–145 and 80–942; 49 U.S.C. 1376. Budget account: 30–24–1236–0–1–501. CFDA: 26.001.
Objectives	To fix rates of subsidy compensation for development of air transportation to the extent and quality required for the commerce of the United States, the Postal Service, and the national defense.
Financial form	Direct payments.
Direct recipient	An air carrier holding a certificate authorizing the transportation of mail by aircraft under the Federal Aviation Act of 1958, as amended.
Subsidy costs	Fiscal year 1970, $37,784,000; fiscal year 1971, $63,-143,000; fiscal year 1972, $67,308,000; fiscal year 1973, $65,627,000; fiscal year 1974, $74,030,000; fiscal year 1975, $72,745,000.

OPERATING-DIFFERENTIAL SUBSIDIES

Administering agency	Maritime Administration, Department of Commerce.
Identification	Authorization: Title VI of the Merchant Marine Act, 1936, as amended; Public Law 74–835; 46 U.S.C. 1171–1183. Budget account: 06–70–1709–0–1–502. CFDA: 11.504.
Objectives	To promote development and maintenance of U.S. Merchant Marine by granting financial aid to equalize cost of operating a U.S.-flag ship with cost of operating a competitive foreign-flag ship.
Financial form	Direct payments.
Direct recipient	Any U.S. citizen who has ability, experience, financial resources, and other qualifications necessary to enable him to conduct the proposed operation of U.S.-flag vessels.
Formula requirements	The subsidy paid may not exceed the difference between the fair and reasonable cost of wages, insurance, and maintenance and repairs over the estimated fair and reasonable cost of the same items if the vessels were operated under foreign flag.
Subsidy costs	Fiscal year 1970, $193,917,000; fiscal year 1971, $252,-420,000; fiscal year 1972, $182,026,000; fiscal year 1973, $224,100,000; fiscal year 1974, $218,711,000; fiscal year 1975, $220,000,000.

CONSTRUCTION DIFFERENTIAL SUBSIDIES

Administering agency	Maritime Administration, Department of Commerce.
Identification	Authorization: Title V of the Merchant Marine Act, 1936, as amended; Public Law 74–835, as amended; 46 U.S.C. 1151–1161. Budget account: 06–70–1708–0–1–502. CFDA: 11.500.
Objectives	To promote the development and maintenance of the U.S. Merchant Marine by granting financial aid to equalize cost of construction of a new ship in a U.S. shipyard with the cost of constructing the same ship in a foreign shipyard.
Financial form	Direct payments.
Direct recipients	U.S.-flag ship operators or U.S. shipyards for construction of ships to be used in foreign trade.
Formula requirements	A maximum of 39 percent of construction costs in a U.S. shipyard has been established as a goal for fiscal year 1974 with a further reduction of 2 percent per year until a ceiling of 35 percent is reached in fiscal year 1976.

Subsidy costs---------- Fiscal year 1970, $67,744,000; fiscal year 1971, $171,412,000; fiscal year 1972, $279,455,000; fiscal year 1973, $436,357,000; fiscal year 1974, $304,953,000; fiscal year 1975, $280,500,000.

DEFERRAL OF TAX ON SHIPPING COMPANIES

Authorization---------- Sec. 954—Foreign base company income (b)(2).
Financial form---------- Tax subsidies.
Description---------- Certain companies which operate U.S.-flag vessel on foreign trade routes receive an indefinite deferral of income taxes on that portion of their net income which is used for shipping purposes, primarily construction, modernization, and major repairs of ships.

Another exception from the application of foreign base company income is provided for income derived from the use (including the hiring and leasing) of aircraft or vessels used in foreign commerce or services directly related to the use of the aircraft or vessels. This exception was provided by your committee primarily in the interest of national defense. In this regard it was believed desirable to encourage a U.S.-owned maritime fleet and U.S.-owned airlines operating abroad. (Senate Report on the Revenue Act of 1962.)

Subsidy cost---------- Fiscal year 1970, $10,000,000; fiscal year 1971, $10,000,000; fiscal year 1972, $10,000,000; fiscal year 1973, $30,000,000; fiscal year 1974, $40,000,000; fiscal year 1975, $40,000,000.

RAIL FREIGHT CAR AMORTIZATION

Authorization---------- Sec. 184—Amortization of certain railroad rolling stock.
Financial form---------- Tax subsidies.
Description---------- This program was first introduced in the Tax Reform Act of 1969. It provides for 5-year amortization of rolling stock in service before January 1, 1975.

Repeal of the investment credit may affect the ability of the railroads to continue their present investment programs at the same pace. Because of the importance to the economy of a healthy railroad industry and the existence of the present shortage of freight cars, the committee believes that an alternative form of incentive to encourage continuation of the present level of investment is needed. (Senate Committee Report on Public Law 91–172.)

Subsidy costs---------- Fiscal year 1970, none; fiscal year 1971, $105,000,000; fiscal year 1972, $45,000,000; fiscal year 1973, $80,000,000; fiscal year 1974, $40,000,000; fiscal year 1975, $10,000,000.

AIRPORT DEVELOPMENT AID PROGRAM

Administering agency-- Federal Aviation Administration, Department of Transportation.
Identification---------- Authorization: Airport and Airway Development Act of 1970; Public Law 91–258, 84 Stat. 219 et seq.
Budget account: 21–20–8106–0–7–501.
CFDA: 20.102 (partial).
Objectives---------- To assist public agencies in the development of a nationwide system of public airports adequate to meet the needs of civil aviation. Grants can be made for: (1) land acquisition, (2) site preparation, (3) construction, alteration, and repair of runways, taxiways, aprons, and roads within airport boundaries, and (4) construction and installation of lighting utilities and certain offsite work. Grants may not be made for the construction of hangars, parking areas for automobiles, or for buildings not related to the safety of persons on the airport.

Financial form	Benefits-in-kind.
Direct recipient	Users of airports and airport facilities. This includes commercial airlines, passengers, and the owners of private aircraft.
Formula requirements	Federal Government share of allowable costs of airport development project may not exceed: Fifty percent for sponsors whose airports enplane not less than 1 percent of the total annual passengers enplaned by air carriers certificated by the Civil Aeronautics Board. Seventy-five percent for sponsors whose airports enplane less than 1 percent of total annual passengers enplaned by air carriers certificated by the Civil Aeronautics Board and for sponsors of general aviation or reliever airports. Eighty-two percent for certain items designated in the act.
Subsidy cost	Fiscal year 1970, new program; fiscal year 1971, $170,000,000; fiscal year 1972, $280,000,000; fiscal year 1973, $206,600,000; fiscal year 1974, $300,000,000; fiscal year 1975, $310,000,000.

AIRPORT PLANNING GRANT PROGRAM

Administering agency	Federal Aviation Administration, Department of Transportation.
Identification	Authorization: Airport and Airway Development Act of 1970; Public Law 91–258; 49 U.S.C. 1713. Budget account: 21–20–8106–0–7–501. CFDA: 20.103.
Objectives	To assist public agencies in the planning of a nationwide system of public airport adequate to meet the needs of civil aviation.
Financial form	Benefits-in-kind.
Direct recipient	State, county, municipal, and other public agencies are eligible for development of airport master plans if their airport is shown in the National Airport System Plan. Planning agencies must be designated by the Administrator, and also be authorized by the laws of the States or political subdivisions concerned to engage in areawide planning.
Formula requirements	The Federal Government provides a maximum of 66⅔ percent of the cost of airport master plans and airport system plans.
Subsidy cost	Fiscal year 1970, $10,000,000; fiscal year 1971, $3,636,035; fiscal year 1972, $9,043,000; fiscal year 1973, $10,048,773; fiscal year 1974, $10,000,000; fiscal year 1975, $13,000,000.

URBAN MASS TRANSPORTATION GRANTS

Administering agency	Urban Transportation Administration. Department of Transportation.
Identification	Authorization: Urban Mass Transportation Act of 1964 and related laws, as amended through Oct. 15, 1970: Public Law 88–365; 78 Stat. 302; 49 U.S.C. 1601 et seq. and Public Law 91–453. Budget account: 21–32–4119–0–3–503. CFDA: 20.500.
Objective	Assist State and local public agencies in providing adequate public transportation for all segments of the population; encourage application of new technology; encourage transit improvement programs consistent with regional goals and objectives. Acquisition, construction, reconstruction, or improvement of facilities and equipment for use in public transportation service in urban areas. Excludes maintenance, repairs and other operating costs, and ordinary governmental or nonprofit operating costs. Transportation may be by bus, rail, or other conveyance, providing service for the public as general or special service.

Financial form	Benefits-in-kind. Only public agencies are eligible as applicants: but private transportation companies may participate through contractual arrangements with public agencies. Service benefits are then passed on to users of the transportation facilities provided.
Direct recipient	Producers and users of the transportation facilities provided.
Formula requirements	Grants may not exceed 80 percent of net project costs.
Subsidy cost	Fiscal year 1970, $132,675,000; fiscal year 1971, $284,700,000; fiscal year 1972, $510,000,000; fiscal year 1973, $844,208,000; fiscal year 1974, $872,000,000; fiscal year 1975, $1,225,000,000.

NATIONAL RAIL PASSENGER CORPORATION

Administering agency	Federal Railroad Administration, Department of Transportation.
Identification	Authorization: Rail Passenger Service Act of 1970, Public Law 91–518, as amended. Budget account: 21–30–0704–0–1–503. CFDA: Not listed.
Objective	To provide rail passenger service over a designated network. In order to do this, Federal grants are made to Amtrak to offset operating deficits. Federal loan guarantees are also made available to Amtrak for capital investment purposes.
Financial form	Benefits-in-kind (direct cash payments).
Direct recipient	The corporation, private carriers, and users of the rail passenger service over the designated network.
Subsidy costs	Fiscal year 1970, $80,000,000; fiscal year 1971, $26,000,000; fiscal year 1972, $80,000,000; fiscal year 1973, $103,100,000; fiscal year 1974, $103,000,000; fiscal year 1975, $143,000,000.

SMALL NAVIGATION PROJECTS

Administering agency	Office of the Chief of Engineers, Department of the Army, Department of Defense.
Identification	Authorization: Section 107 of 1960 River and Harbor Act, as amended; Public Law 86–645; 33 U.S.C. 577. Budget account: 08–10–3122–0–1–401. CFDA: 12.107.
Objectives	To provide the most practicable and economic means of fulfilling the needs of general navigation, through projects not specifically authorized by Congress.
Financial form	Benefits-in-kind.
Direct recipient	States, political subdivisions of States or other responsible local agencies established under State law with full authority and ability to undertake necessary legal and financial responsibilities.
Subsidy costs	Fiscal year 1970, $1,472,000; fiscal year 1971, $1,660,200; fiscal year 1972, $1,741,000; fiscal year 1973, $3,903,000; fiscal year 1974, $3,139,000; fiscal year 1975, $3,000,000.

COMMERCE AND ECONOMIC DEVELOPMENT

GROSS BUDGETARY COSTS OF FEDERAL COMMERCE AND ECONOMIC DEVELOPMENT SUBSIDIES

[In millions of dollars]

	Fiscal years—					
	1970	1971	1972	1973	1974	1975
Direct Cash Payments:						
Economic development:						
Grants for public works and development facilities	174	160	142	215	130	132
Planning assistance	6	6	7	12	8	0
Technical assistance	12	12	12	17	18	4
Public works impact projects	0	0	48	66	41	0
Industrial development grants	0	0	0	0	10	10
Appalachian regional development	55	58	72	69	35	73
Regional economic development	17	19	21	19	7	10
Community action	365	384	382	397	243	87
Model Cities	308	513	581	644	75	0
Urban renewal and neighborhood development	1,029	927	312	0	0	0
Tax subsidies:						
Individual dividend exclusion	290	280	300	300	325	340
Excess depreciation on buildings	550	500	480	500	530	600
Investment credit	2,630	910	1,800	3,800	4,300	4,900
Corporation capital gains	525	425	380	400	380	390
Individual capital gains	(1)	5,500	5,600	7,000	5,500	6,500
Excess bad debt reserves for financial institutions	680	380	400	400	380	360
Exemption of credit unions	45	40	40	90	100	110
Expensing of research and development expenditures	565	540	545	570	580	650
Corporate surtax exemption	2,300	2,000	2,300	2,500	3,100	(2)
Exclusion of interest on life insurance savings	1,050	1,050	1,100	1,200	1,300	1,450
Asset depreciation range	0	0	700	860	1,250	1,500
Credit subsidies:						
Economic development assistance	6	−5	0	4	2	1
Irrigation system loans	2	1	4	6	6	3
Business and industrial loans (See community facilities loans under agriculture).						
Small business economic injury disaster loans	18	16	21	34	7	8
Small business administration loans	17	−6	2	6	10	10
Urban renewal projects	14	10	19	106	26	21
Benefits-in-kind subsidies:						
Excessive tax and loan account balances[3]	300	300	300	300	300	300
Postal Service	1,510	2,183	1,772	1,567	1,999	1,553
Total order of magnitude[1]	17,968	16,203	17,340	21,082	20,662	21,510

[1] Individual items may not add to totals due to rounding error.
[2] Unavailable.
[3] This estimate is considered representative of annual costs. It will change with changes in the interest rate.

Source: "Report on a Study of tax and loan accounts," Department of the Treasury, June 1974.

ECONOMIC DEVELOPMENT—GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES

Administering agency	Economic Development Administration, Department of Commerce.
Identification	Authorization: Public Works and Economic Development Act of 1965; Public Law 89–136; as amended by Public Laws 90–103, 91–123, 91–304, 92–65, and 93–46; 42 U.S.C. 3131, 3135, 3141, 3161, 3171. Budget account: 06–10–2050–1–507. CFDA: 11,300.
Objectives	To assist in the construction of public facilities needed to initiate and encourage long-term economic growth in designated geographic areas where economic growth is lagging behind the rest of the Nation.
Financial form	Direct payments.
Direct recipient	States, local subdivisions thereof, Indian tribes, and private or public nonprofit organizations or associations representing a redevelopment area or a designated economic development center are eligible to receive grants and loans.
Formula requirements	The basic grant rate is 50 percent of the project cost. Severely depressed areas that cannot match Federal funds may receive supplementary grants to bring the Federal contribution up to 80 percent of the project cost with designated Indian reservations eligible for 100-percent assistance. Additionally, redevelopment areas located within designated economic development districts may, subject to the 80-percent maximum Federal grant limit, be eligible for a 10-percent bonus on grants for public works projects. Long-term (up to 40 years), low-interest loans may be made to the applicant when financial assistance is not otherwise available from private lenders or Federal agencies on terms which would permit accomplishment of the project.
Subsidy costs	Fiscal year 1970, $173,899,000; fiscal year 1971, $159,998,000; fiscal year 1972, $142,310,000; fiscal year 1973, $215,018,000; fiscal year 1974, $130,000,000; fiscal year 1975, $132,000,000.

ECONOMIC DEVELOPMENT—PLANNING ASSISTANCE

Administering agency	Economic Development Administration, Department of Commerce.
Identification	Authorization: Public Works and Economic Development Act of 1965; Public Law 89–136, as amended by Public Law 90–103, 91–123, 91–304, 92–65, and 93–46; 42 U.S.C. 3151(b), 3152. Budget account: 06–10–2050–0–1–507. CFDA: 11.302.
Objectives	To develop multicounty district (and redevelopment area) planning capability and thereby assure effective utilization of resources in creating full-time permanent jobs for the unemployed and the underemployed.
Financial form	Direct payments.
Direct recipient	(1) Areas designated as redevelopment areas or determined by the Secretary of Commerce to have substantial need for planning assistance. (2) Groups of adjoining counties, labor market areas, and/or Indian reservations which include at least two areas designated as redevelopment areas by the Secretary of Commerce, and one or more centers of growth not over 250,000 population.

Formula requirements	A minimum of 25 percent must be obtained from non-Federal sources except for grants to Indian tribes. This may be in the form of cash and in-kind contributions. The Secretary is authorized to fund up to 100 percent for grants to Indian tribes.
Subsidy costs	Fiscal year 1970, $5,520,000; fiscal year 1971, $6,175,000; fiscal year 1972, $6,573,000; fiscal year 1973, $12,456,000; fiscal year 1974, $7,765,000; fiscal year 1975, $0.

ECONOMIC DEVELOPMENT—TECHNICAL ASSISTANCE

Administering agency	Economic Development Administration, Department of Commerce.
Identification	Authorization: Public Works and Economic Development Act of 1965; Public Law 89–136, as amended Public Laws 90–103, 91–123, 91–304, 92–65, and 93–46; 42 U.S.C. 3151(a), 3152. Budget account: 06–10–2050–0–1–507. CFDA: 11.303.
Objectives	To solve problems of economic growth in EDA-designated geographic areas and other areas of substantial need through administrative and demonstration project grants, feasibility studies, management and operational assistance, and other studies.
Financial form	Direct payments.
Direct recipient	Nonprofit groups or municipal or county governments or entities thereof, located in economically depressed areas of the country. Infrequently, technical assistance is given to small private business firms; however, this technical assistance must be repaid to the Government.
Formula requirements	Technical assistance must be related to near-term job and income creation. For grants, contribution by grantee of 25 percent or more of total cost in cash or in-kind is required.
Subsidy costs	Fiscal year 1970, $12,398,000; fiscal year 1971, $12,407,000; fiscal year 1972, $12,463,000; fiscal year 1973, $17,186,000; fiscal year 1974, $17,954,000; fiscal year 1975, $3,500,000.

ECONOMIC DEVELOPMENT—PUBLIC WORKS IMPACT PROJECTS

Administering agency	Economic Development Administration, Department of Commerce.
Identification	Authorization: Public Works and Economic Development Act of 1965; Public Law 89–136, as amended by Public Law 92–65 and 93–46; 42 U.S.C. 3131, 3135, 3161, 3171. Budget account: 06–10–2050–0–1–507. CFDA: 11.304.
Objectives	To provide immediate useful work to unemployed and underemployed persons in designated project areas.
Financial form	Direct payments.
Direct recipient	States and their local subdivisions, Indian tribes, and private or public nonprofit organizations representing a redevelopment area or economic development center.
Formula requirements	The basic grant rate for special impact areas is 80 percent except for Indian areas, where the rate can be 100 percent. Local matching share may be waived if appropriate governmental entity can demonstrate that it has exhausted its effective taxing and borrowing capacity.

Subsidy costs	Fiscal years 1970–71, $0 (new program); fiscal year 1972, $47,660,000; fiscal year 1973, $65,858,000; fiscal year 1974, $41,000,000; fiscal year 1975, $0.

INDUSTRIAL DEVELOPMENT GRANTS

Administering agency	Farmers Home Administration, Department of Agriculture.
Identification	Authorization: Consolidated Farm and Rural Development Act; sec. 310 B, Public Law 92–419; 7 U.S.C. 1989. Budget account: 05–75–2065–0–1–352. CFDA: 10.424.
Objectives	To facilitate the development of business, industry, and related employment for improving the economy in rural communities.
Financial form	Direct payments.
Direct recipient	Grant assistance is limited to public bodies which serve residents of rural areas, villages, towns, and cities with not more than 50,000 population.
Formula requirements	Funds are allocated to States based upon rural population and income.
Subsidy costs	Fiscal years 1970–73 (new program), $0; fiscal year 1974, $10,000,000; fiscal year 1975, $10,000,000.

APPALACHIAN REGIONAL DEVELOPMENT

Administering agency	Appalachian Regional Commission.
Identification	Authorization: Appalachian Regional Development Act of 1965, as amended; Public Law 89–94; 90–103; 40 App. U.S.C. 1–405. Budget account: 04–02–0090–0–1–507. CFDA: 23.004, 23.006, 23.008, 23.009, 23.010, 23.011, 23.013, 23.014, 23.016.
Objectives	To stimulate substantial public investments in public facilities that will start the region on its way toward accelerated social and economic development; to help establish a set of institutions in Appalachia capable of permanently directing the long-term development of the region; and on a joint Federal-State-local basis, to develop comprehensive plans and programs to help accomplish the overall objects of Appalachian development. Among the specific areas of economic activity assisted are: health and nutrition, vocational education, housing, mine area restoration, access roads, and so forth.
Financial form	Direct payments.
Direct recipient	Private nonprofit organizations, limited dividend organizations, or private persons who benefit from the services or facilities provided. The recipient will depend on the specific program.
Formula requirements	Requirements vary with the different programs.
Subsidy costs	Fiscal year 1970, $55,492,935; fiscal year 1971, $58,259,142; fiscal year 1972, $71,563,509; fiscal year 1973, $69,161,582; fiscal year 1974, $34,856,834; fiscal year 1975, $72,965,000.

REGIONAL ACTION PLANNING COMMISSIONS

Administering agency	Regional Commissions, Department of Commerce.
Identification	Authorization: Title V of the Public Works and Economic Development Act of 1965, as amended (79 Stat. 564). Budget account: 06–15–2100–0–1–501. CFDA: 38.001, 28.001, 52.001, 48.000, 63.001.

Objectives	The regional development programs are intended to enable States and other entities to take maximum advantage of Federal grant-in-aid programs for the construction or equipping of facilities or the acquisition of land, and to coordinate the national regional economic development effort. Five Commissions covering all or parts of 20 States have been established in the Coastal Plains, Four Corners, New England, Ozarks, and Upper Great Lakes section of the Nation.
Financial form	Direct payments.
Direct recipient	State and other entities within the region, generally any political subdivision or private or public nonprofit organization. These entities in turn provide public and private benefits similar to the Appalachian and economic development programs.
Formula requirements	Total Federal assistance cannot exceed 80 percent of eligible project costs. The State or community must finance the remaining project costs, not less than 20 percent.
Subsidy costs	Fiscal year 1970, $17,468,899; fiscal year 1971, $19,466,059; fiscal year 1972, $20,626,382; fiscal year 1973, $18,814,989; fiscal year 1974, $6,598,295; fiscal year 1975, $10,200,000.

COMMUNITY ACTION

Administering agency	Office of Economic Opportunity.
Identification	Authorization: 42 U.S.C. 2781 et seq., Economic Opportunity Act of 1964 as amended. Title II: Public Law 88–452. Budget account: 04–37–0500–0–1–999. CFDA: 49.002.
Objectives	To mobilize and channel the resources of private and public organizations and institutions into antipoverty action and to increase the participation of the poor in these activities. Funds are primarily used for projects in health, education, housing, family planning, economic development, employment, day care, community organization, and other services.
Financial form	Direct cash payments/benefits-in-kind.
Direct recipient	Grants to community action agencies, which are either public or nonprofit organizations. Assistance is to be passed on to low-income families and individuals of all ages in low-income urban and rural areas.
Subsidy costs	Fiscal year 1970, $365,300,000; fiscal year 1971, $383,700,000; fiscal year 1972, $381,741,000; fiscal year 1973, $396,573,000; fiscal year 1974, $243,470,000; fiscal year 1975, $87,183,000.

MODEL CITIES

Administering agency	Community Development, Department of Housing and Urban Development.
Identification	Authorization: Demonstration Cities and Metropolitan Development Act of 1966, title I as amended. Public Law 89–754. Budget account: 25–18–0133–0–1–551. CFDA: 14.300.
Objectives	To provide financial and technical assistance to enable cities of all sizes to plan, develop, and carry out locally prepared and scheduled comprehensive city demonstration programs containing new and imaginative proposals to rebuild and revitalize large slums and blighted areas.
Financial form	Direct cash payments (benefits-in-kind).

Direct recipient	Any municipality, county, or other public body having general governmental powers (or two or more public bodies jointly) is eligible to be a model city. Limited to 150 cities which have already been selected. Services or other assistance is then provided to neighborhood residents, organizations, or other organizations in the targeted area.
Subsidy costs	Fiscal year 1970, $308,194,000; fiscal year 1971, $512,768,000; fiscal year 1972, $580,750,000; fiscal year 1973, $644,433,000; fiscal year 1974, $75,055,000; 1975 proposed for inclusion in the Better Communities Act.

URBAN RENEWAL AND NEIGHBORHOOD DEVELOPMENT

Administering agency	Community Development, Department of Housing and Urban Development.
Identification	Authorization: Title I of the Housing Act of 1949, as amended (42 U.S.C. 1450 et seq.), and section 314 of the Housing Act of 1954, as amended (42 U.S.C. 1452a). Budget account: 25–12–4035–0–3–552. CFDA: 14.306; 14.307.
Objectives	Several approaches have been developed to treat slum, blighted, and deteriorating areas. These include conventional urban renewal projects, code enforcement, demolition activities, interim assistance for blighted areas, rehabilitation grants in areas certified for renewal in the near future, and a newer approach involving annual action and funding techniques through neighborhood development programs. Taken together, the various urban renewal activities provide for clearance and redevelopment, rehabilitation, code enforcement, preservation of historic structures, and replacement or installation of community facilities such as schools, libraries, fire stations, and parks. The urban renewal program also provides financial assistance and counseling to homeowners and businessmen in renewal areas so that they may rehabilitate their properties, or, if necessary, find suitable residences elsewhere.
Financial form	Direct cash payments (benefits-in-kind).
Direct recipient	Funds generally flow through a local public agency such as a local or county renewal agency or housing authority to the businesses and individuals who reside in, work in, or otherwise use the affected area.
Subsidy costs	Fiscal year 1970, $1,029,000,000; fiscal year 1971, $927,400,000; fiscal year 1972, $312,300,000; fiscal year 1973, end of program.

INDIVIDUAL DIVIDEND EXCLUSION

Authorization	Section 116.—Internal Revenue Code.
Financial form	Tax subsidies.
Description	Individual income taxpayers may exclude up to $100 of dividends from income subject to tax. In 1954 when the present dividend credit and exclusion were adopted, the committee report indicated that these relief measures were provided because the earnings of a corporation are taxed twice, once as corporate income and again as dividend income when paid out to the shareholders (Conference report, Life Insurance Company Income Tax Act of 1959). This provision has over the years also been supported on the grounds that it encouraged medium taxpayers to own stock.

Subsidy costs---------- Fiscal year 1970, $290,000,000; fiscal year 1971, $280,000,000; fiscal year 1972, $300,000,000; fiscal year 1973, $300,000,000; fiscal year 1974, $325,000,000; fiscal year 1975, $340,000,000.

INVESTMENT CREDIT

Authorization---------- Section 38.—Investment is certain depreciable property. Section 46.—Amount of credit. Section 47.—Certain dispositions, et cetera, of section 38 property.

Financial form-------- Tax subsidies.

Description----------

Prior law provided a 7-percent tax credit (3 percent for public utility property) with respect to qualified investment. In general terms, the investment credit was available with respect to (1) tangible personal property; (2) other tangible property (not including buildings and structural components) which was an integral part of manufacturing, production, et cetera, or which constituted a research or storage facility; and (3) elevators and escalators. In addition, the property had to be depreciable property with a useful life of 4 years or more. New property fully qualified for the credit, but in the case of used property only an amount up to $50,000 could be taken into account in any year. Property with a useful life of from 4 to 6 years qualified for the credit to the extent of one-third of its cost. For property with a useful life of 6 to 8 years, qualification was with respect to two-thirds of the investment, and for property with an estimated useful life of 8 years or more, the full amount qualified ("General Explanation of the Tax Reform Act of 1969," p. 187).

The Tax Reform Act of 1969 repealed the investment credit but provided transitional riders, which explain the continued revenue loss reported below. These transitional rules allowed contracts entered before April 19, 1969, for property placed in service through the end of 1975, to be sufficient justification for the full credit.

Initially, it was generally felt that the investment credit would encourage investment in those types of plant and equipment to which it applies and encourage economic expansion generally when it applies to a broad spectrum. It was repealed in 1969 on the grounds that continued availability of the investment credit during an inflationary period served to offset the effect of anti-inflationary fiscal and monetary policies.

Subsidy costs---------- Fiscal year 1970, $2,630,000,000; fiscal year 1971, $910,000,000; fiscal year 1972, $1,800,000,000; fiscal year 1973, $3,800,000,000; fiscal year 1974, $4,300,000,000; fiscal year 1975, $4,900,000,000.

EXCESS DEPRECIATION OF BUILDINGS

Authorization---------- Sec. 167—Depreciation. Section 1250—gain from disposition of certain depreciable realty.

Financial form-------- Tax subsidies.

Description----------

To the extent that allowable depreciation for tax purposes exceeds the rate at which assets actually depreciate, business tax liabilities are deferred. Businesses may employ a variety of depreciation schedules for tax purposes, some of which cause a much larger part of asset values to be written off in early years of the asset's useful life than do the schedules used by businesses in their financial statements. The costs cited below are for the schedules

Description—Con _____ which allow building depreciation more rapidly than straightline depreciation. The costs associated with depreciation methods on rental housing is listed under housing.

The prior tax treatment of real estate was used by some high-income individuals as a tax shelter to escape payment of tax on substantial portions of their economic income. The rapid depreciation methods allowed made it possible for taxpayers to deduct amounts in excess of those required to service the mortgage during the early life of the property. Moreover, because accelerated depreciation usually produced a deduction in excess of the actual decline in the usefulness of property, economically profitable real estate operations were normally converted into substantial tax losses, sheltering from income tax economic profits and permitting avoidance of income tax on the owner's other ordinary income, such as salary and dividends. Later, the property could be sold and the excess of the sale price over the remaining basis could be treated as a capital gain to the extent that the recapture provisions did not apply. ("General Explanation of the Tax Reform Act of 1969." p. 181.)

The 1969 Tax Reform Act curtailed some of these tax advantages by reducing the depreciation allowances. For example the 200-percent declining balance method was restricted to new residential housing, where it formerly was available to certain other types of new construction as well. The act also tightened the law with respect to recapturing capital gains to the extent that they represent deductions taken under accelerated depreciation, and with respect to the use of accelerated depreciation on used realty.

It is usually suggested that excess depreciation will stimulate modernization and expansion of industrial capacity with resulting economic growth and increased production.

Subsidy costs _____ Fiscal year 1970, $550,000,000; fiscal year 1971, $500,000,000; fiscal year 1972, $480,000,000; fiscal year 1973, $500,000,000; fiscal year 1974, $530,000,000; fiscal year 1975, $600,000,000.

CORPORATION CAPITAL GAINS

Authorization _____ (After Tax Reform Act of 1969) Section 1201.—Alternative tax, . (a) corporations, (Section 582, Bad debts, losses, and gains with respct to securities held by financial institutions).

Financial form _____ Tax subsidies.

Description _____ Capital gains of corporations are subject to a tax of 25 percent while the rate applicable to other corporate income above $25,000 is 48 percent. Since the corporate tax structure is not graduated (as in the case for individuals) but is computed on the basis of a normal tax of 22 percent of taxable income and a surtax of 26 percent of that part of the taxable income which exceeds $25,000, usually only those corporations with taxable incomes in excess of $25,000 (on which the tax rate would be 48 percent, apart from the effect of the surcharge) used the alternative tax.

Because it limited the availability of the alternative capital gains tax for individuals, Congress decided it would also be appropriate to raise the corporate alternative capital gains tax rate. Moreover, it is not clear that a corporation's capital gains are essentially different from its other business income.

Description—Con_____ In addition, since corporations are not subject to graduted tax rates, they usually do not encounter the problem of having bunched income which has accrued over more than a 1-year period and which is taxed in 1 year at steeply graduated rates ("General Explanation of the Tax Reform Act of 1969", p. 168).

The Tax Reform Act of 1969 increased the capital gains tax rate for corporations to 28 percent in 1970 and 30 percent in 1971 and subsequent years. It also stipulated that net gains of financial institutions on sale of bonds are to be treated as ordinary income father than capital gain.

Subsidy costs_____ Fiscal year 1970, $525,000,000; fiscal year 1971, $425,000,000; fiscal year 1972, $380,000,000; fiscal year 1973; $400,000,000; fiscal year 1974, $380,000,000; fiscal year 1975, $390,000,000.

INDIVIDUAL CAPITAL GAINS

Authorization_____ Sec. 1014.—Basis of property acquired from a decedent. Section 1201.—Alternative tax. Section 1202.—Deduction for capital gains.

Financial form_____ Tax subsidies.

Description_____ The tax treatment of capital gains for individuals involves a significant amount of tax subsidies. There are two major aspects to the treatment of capital gains of individuals. One, if the owner of appreciated capital assets dies, the capital gains tax is not applied to appreciation which would have been taxable had he sold the assets just before death. Heirs who receive appreciated property from the decedent and who subsequently sell the property are subject to capital gains tax only on appreciation occurring after they acquired the property. Thus the appreciation on assets held until death is never taxed under the income tax. Second, as to realized gains, half the gains from the sale of capital assets held more than 6 months is excluded from income, and in no case is the tax rate applicable to such capital gains allowed to exceed 25 percent.

The Tax Reform Act of 1969 made certain changes in some of the lesser provisions of the capital gains tax treatment of individuals. For example, treatment of income from the sale of certain things, such as memorandums and letters by a person whose efforts created them, transfer of franchises, trademarks, and trade names where the transferor retains significant rights, was changed from capital gains treatment to ordinary income tax treatment. Another aspect of the act was to eliminate some of the choices regarding treatment of long-term gains. It also increased the applicable rates.

There are a wide variety of objectives and reasons for the granting of special capital gains treatment, many of which would not be universally agreed upon. However, the provision has often been supported on the grounds that capital gains treatment is to prevent undesirable barriers to the exchange and free-flow of capital assets.

Subsidy costs_____ Fiscal year 1970, figures unavailable; fiscal year 1971, $5,500,000,000; fiscal year 1972, $5,600,000,000; fiscal year 1973, $7,000,000,000; fiscal year 1974, $5,500,000,000; fiscal year 1975, $6,500,000,000.

EXCESS BAD DEBT RESERVES OF FINANCIAL INSTITUTIONS

Authorization	Sec. 160—Bad debt. Sec. 585, sec. 586, and sec. 593—Reserves for losses on loans.
Financial form	Tax subsidies.
Description	Commercial banks, mutual savings banks, building and loan associations, and cooperative banks are permitted to set aside bad debt reserves based on stipulated fractions of deposits, of loans outstanding, or of taxable income before computation for bad debts. The amounts set aside typically greatly exceed actual loss experience and reasonable expectations as to future losses. The Tax Reform Act of 1969 reduced the gap between actual losses (measured by past experience) and the amount which could be set aside. For additional details on the effect of the Revenue Act of 1969 see the "General Explanation of the Tax Reform Act 1969," pp. 137–144.
Subsidy costs	Fiscal year 1970, $680,000,000; fiscal year 1971, $380,000,000; fiscal year 1972, $400,000,000; fiscal year 1973, $400,000,000; fiscal year 1974, $380,000,000; fiscal year 1975, $360,000,000.

EXEMPTION OF CREDIT UNIONS

Authorization	Sec. 501—Exemption from tax on corporations, certain trusts, etc. (c) list of exempt organizations (14) credit unions.
Financial form	Tax subsidies.
Description	Credit unions are exempt from Federal income tax. The justification for this provision appears to go back to earlier treatment in the tax law that exempted the income of mutual savings banks, building and loan associations, and cooperative banks. The principal argument was that such institutions did not really have income that could be taxed. This was based on the theory that both the borrowers and the investors are members of the association and that the interest paid by the borrowers on their loans is really only paid to themselves as members of the association. In other words, it was argued that the mutuality of the borrowing and the investing members is such that no income exists. Such tax treatment was eliminated for these institutions in the Revenue Act of 1951 but co ntinued for credit unions.
Subsidy costs	Fiscal year 1970, $45,000,000; fisc year 1971, $40,000,000; fiscal year 1972, $40,000,000; fiscal year 1973, $90,000,000; fiscal year 1974, $100,000,000; fiscal year 1975, $110,000,000.

EXPENSING OF RESEARCH AND DEVELOPMENT EXPENDITURES

Authorization	Sec. 160—Bad debt. Sec. 585, sec. 586, and expenditures.
Financial form	Tax subsidies.
Description	Expenditures by businesses for research and development (R. & D.) are carried out to find new products or processes, to reduce costs, or for other purposes. In nearly all cases, benefits from such expenditures will accrue for well over 1 year. For tax purposes business may deduct all R. & D. expenditures in the year during which they are incurred, or they may amortize them over not less than 5 years.

Description—Con	To eliminate uncertainty and to encourage taxpayers to carry on research and experimentation * * * these expenditures, incurred subsequent to Dec. 31, 1953, may, at the option of the taxpayer, be treated as deductible expenses * * * also * * * a taxpayer may elect to capitalize * * * and if no other means of amortization is provided, may write them off over a period of 60 months * * * (Senate Finance Committee Report, Revenue Act of 1954.)
Subsidy costs	Fiscal year 1970, $565,000,000; fiscal year 1971, $540,000,000; fiscal year 1972, $545,000,000; fiscal year 1973, $570,000,000; fiscal year 1974, $580,000,000; fiscal year 1975, $650,000,000.

CORPORATE SURTAX EXEMPTION

Authorization	(After 1969 Tax Reform Act.) Sec. 1561—Limitations on certain multiple-tax benefits in the case of certain controlled corporations. Sec. 279—Interest on indebtedness incurred by corporation to acquire stock or assets of another corporation. Sec. 453—Installment method. Sec. 1232—Bonds and other evidences of indebtedness. Sec. 249—Limitation on deduction of bond premium on repurchase. Sec. 385—Treatment of certain interests in corporations as stock or indebtedness.
Financial form	Tax subsidies.
Description	Corporations pay income tax at a rate of 22 percent on all taxable income plus a surtax of 26 percent on taxable income in excess of $25,000 (excluding the temporary surcharge). Each corporation therefore enjoys a surtax exemption of $25,000. The surtax exception was adopted to benefit small businesses (General Explanation of the Tax Reform Act of 1969, p. 120). Large corporate organizations have been able to obtain substantial benefits from these prior law provisions by dividing income among a number of related corporations. Since these are not in reality "small businesses" it is difficult to see why they should receive tax benefits intended primarily for small business, whether or not they have incorporated the businesses separately for business, as distinct from tax, reasons ("General Explanation of the Tax Reform Act of 1969", p. 120). The 1969 Tax Reform Act therefore restricted somewhat the use of this tax advantage by eliminating (over a 6-year period) multiple-surtax exemptions in the case of related corporations. It also makes interest deductions unavailable when "debt" with substantial equity characteristics is used to acquire other corporations.
Subsidy costs	Fiscal year 1970, $2,300,000,000; fiscal year 1971, $2,000,000,000; fiscal year 1972, $2,300,000,000; fiscal year 1973, $2,500,000,000; fiscal year 1974, $3,100,000,000; fiscal year 1975, figures unavailable.

EXCLUSION OF INTEREST ON LIFE INSURANCE SAVINGS

Authorization	Sec. 61—Gross income defined—and case of *Fleming* (241 F. 2d 78.356 U.S. 260) holding interest added to principal sum of insurance policy not to be income at the time added. Sec. 101—Certain death benefits.
Financial form	Tax subsidies.

Description	Life insurance policies other than term policies, generally have a savings element in them. Savings in the form of policyholders reserves are accumulated from the premium payment, and interest is earned on these policyholders reserves. Such interest income is neither taxable as it accrues nor as an element of death benefits.
Subsidy costs	Fiscal year 1970, $1,050,000,000; fiscal year 1971, $1,050,000,000; fiscal year 1972, $1,100,000,000; fiscal year 1973, $1,200,000,000; fiscal year 1974, $1,300,000,000; fiscal year 1975, $1,450,000,000.

ASSET DEPRECIATION RANGE

Authorization	26 U.S.C. 167.
Financial form	Tax subsidy.
Description	This provision allows owners of business property to depreciate this property for tax purposes much faster than the property actually depreciates. This depreciation is faster than that used for other accounting purposes such as reports to stockholders of the Securities and Exchange Commission.
Subsidy costs	Fiscal years 1970–71, $0; fiscal year 1972, $700,000,000; fiscal year 1973, $860,000,000; fiscal year 1974, $1,250,000,000; fiscal year 1975, $1,500,000,000.

ECONOMIC DEVELOPMENT ASSISTANCE

Administering agency	Economic Development Administration, Department of Commerce.
Identification	Authorization: Public Works and Economic Development Act of 1965; Public Law 89–136, as amended by Public Law 90–103, 91–123, 91–304, 92–65, 93–46; 42 U.S.C. 3131, 3135, 3141, 3142, 3161, 3171. Budget account: 06–10–2050–0–1–507. CFDA: 11.300, 11.301, 11.303, 11.304.
Objectives	To assist in the construction of public facilities needed to initiate and encourage long-term economic growth and to stimulate private investment by providing low-interest, long-term loans to help business expand or establish plants in redevelopment areas for projects that cannot be financed through private lending institutions.
Financial form	Direct loans and guaranteed/insured loans.
Direct recipient	The public portion of this program goes to States or their subdivisions, Indian tribes, or nonprofit organizations representing a redevelopment area. Individuals and corporations are eligible for the business loans.
Interest rate and maturity.	Fiscal year 1970, 6 percent, 16 years; fiscal year 1971, 6.94 percent, 16.8 years; fiscal year 1972, 5.88 percent, 17.2 years; fiscal year 1973, 6 percent, 18.7 years; fiscal year 1974, 6.62 percent, 32.3 years; fiscal year 1975, 6.62 percent, 32.3 years.
Subsidy costs	Fiscal year 1970, $5,740,000; fiscal year 1971, −$5,170,000; fiscal year 1972, −$440,000; fiscal year 1973, $3,760,000; fiscal year 1974, $1,590,000; fiscal year 1975, $1,410,000.

SMALL RECLAMATION PROJECTS

Administering agency	Bureau of Reclamation, Department of the Interior.
Identification	Authorization: Small Reclamation Projects Act; Public Law 84–984; 43 U.S.C. 422 a–k. Budget account: 10–60–0667–0–1–401. CFDA: 15.503.

Objectives	To provide fully reimbursable Federal loans and possible grants to public non-Federal organizations for rehabilitation and betterment or construction of water resources development projects located in the 17 westernmost contiguous States and Hawaii. Loans and/or grants up to $10,000,000 for projects whose total cost cannot exceed $15,000,000 and which can be single purpose irrigation or drainage, or multipurpose, including municipal and industrial water supplies, flood control, fish and wildlife, recreation development, and hydroelectric power. Construction grants can be made for costs allocated to flood control and for a portion of the costs allocated to fish and wildlife enhancement and recreation development, if such development is of general public benefit. Loan application report, water rights, and rights-of-way costs must be contributed by applicant.
Financial form	Direct loans.
Direct recipient	Public non-Federal organizations, organized under State law, and eligible to contract with the Federal Government, and who can demonstrate engineering and financial feasibility of project proposal.
Interest rate and maturity.	This program is included in Irrigation Systems Loans.
Subsidy costs	See Irrigation Systems Loans.

IRRIGATION SYSTEMS LOANS

Administering agency	Bureau of Reclamation, Department of the Interior.
Identification	Authorization: Distribution System Loans Act; Public Law 84–130; 43 U.S.C. 421 b, c. Budget account: 10–60–0667–0–1–401. CFDA: 15.501, 15.502.
Objectives	To provide fully reimbursable Federal loans to organized irrigation districts with lands included within congressionally authorized reclamation projects to plan, design, construct, and rehabilitate irrigation and municipal and industrial water distribution or drainage systems in lieu of Federal construction.
Financial form	Direct loans.
Direct recipient	Irrigation district must be organized under State law and eligible to contract with the United States; must have water service contract with the Bureau of Reclamation.
Formula requirements	Applicants must contribute all costs for preparation of loan application report and up to 10 percent of total project cost including money, labor, lands, or interests in lands to be used for project purposes.
Interest rate and maturity.	Fiscal year 1970, 3.38 percent, 44 years; fiscal year 1971, 3.5 percent, 44 years; fiscal year 1972, 3.5 percent, 44 years; fiscal year 1973, 3.62 percent, 44 years; fiscal years 1974–75, 4 percent, 44 years.
Subsidy costs	Fiscal year 1970, $1,760,000; fiscal year 1971, $1,430,000; fiscal year 1972, $4,360,000; fiscal year 1973, $6,150,000; fiscal year 1974, $5,690,000; fiscal year 1975, $3,420,000.

ECONOMIC INJURY DISASTER LOANS

Administering agency	Small Business Administration.
Identification	Authorization: Small Business Act, as amended, sec. 7(b) (2) and (4); Public Law 85–536, as amended; 15 U.S.C. 636(b) (2) and (4); Disaster Relief Act of 1970; Public Law 91–606, secs. 231, 234, 235, and 237; Public Law 92–385. Budget account: 32–45–4153–0–3–506. CFDA: 59.002.

Objectives	To assist business concerns suffering economic injury as a result of certain Presidential, SBA, and Department of Agriculture disaster designations. Funds can be provided to pay current liabilities which the small concern could have paid if the disaster had not occurred. Working capital for a limited period can be provided to continue the business in operations until conditions return to normal. No funds available for realty, equipment repair or acquisition; the interest rate may vary according to date of disaster and governing disaster legislation. A direct loan or SBA share of an immediate participation loan is limited to $500,000. Additional amounts are available as guaranteed loans made by a financial institution.
Financial form	Direct loans.
Direct recipient	Must be a small business concern as described in SBA rules and regulations. Must furnish evidence of the extent of economic injury claimed.
Interest rate and maturity.	Fiscal year 1970, 6.2 percent, 11 years; fiscal year 1971, 4.1 percent, 11 years; fiscal year 1972, 1 percent, 4 years; fiscal year 1973, 5 percent, 3.2 years; fiscal year 1974, 5 percent, 3.2 years; fiscal year 1975, 3.2 percent, 5 years.
Subsidy costs	Fiscal year 1970, $18,080,200; fiscal year 1971, $16,360,000; fiscal year 1972, $20,760,000; fiscal year 1973 $34,050,000; fiscal year 1974, $6,980,000; fiscal year 1975, $7,760,000.

SMALL BUSINESS ADMINISTRATION LOANS

Administering agency	Small Business Administration.
Identification	Authorization: Small Business Act, as amended, sec. 7(a); Public Law 85–536, as amended; 72 Stat. 387; 15 U.S.C. 636(a). Budget account: 32–45–4154–0–3–506. CFDA: 59.012, 59.011, 59.003.
Objectives	To aid small businesses in their financing needs. Funds may be used to construct, expand, or convert facilities; to purchase building equipment or materials; for working capital. Excludes gambling establisbments, communications media, nonprofit enterprises, speculators in property, lending or investment enterprises, and financing of real property held for sale or investment; also excludes funds to relocate indiscriminately the business.
Financial form	Direct loans.
Direct recipient	A small business which is independently owned and operated and which is not dominant in its field. Generally for manufacturers, average employment not in excess of 250; wholesalers, annual sales not over $5,000,000; and retail and service concerns, revenues not over $1,000,000.
Formula requirements	Vary with individual programs.
Interest rate and maturity.	Fiscal years 1970–71, 6.2 percent, 11 years; fiscal year 1972, 5.6 percent, 12.5 years; fiscal year 1973, 6.2 percent, 8.5 years; fiscal years 1974–75, 6.4 percent, 9 years.
Subsidy costs	Fiscal year 1970, $16,920,000; fiscal year 1971, —$6,120,000; fiscal year 1972, $1,920,000; fiscal year 1973, $6,440,000; fiscal year 1974, $10,330,000; fiscal year 1975, $10,330,000.

URBAN RENEWAL PROJECTS

Administering agency	Community Development, Department of Housing and Urban Development.
Identification	Title I of the Housing Act of 1949, as amended; 42 U.S.C. 1450–1468a; Public Law 81–171. Budget account: 25–12–4034–0–3–551. CFDA: 14.307.
Objectives	To assist local communities in the elimination of slums and blighted or deteriorated or deteriorating areas in preventing the spread of slums, blight, or deterioration, and in providing maximum opportunity for the redevelopment, rehabilitation, and conservation of such areas by private enterprise.
Financial form	Direct and guaranteed/insured loans.
Direct recipient	Local public agencies which can be a local or county renewal agency or housing authority, or a local or county department of government—depending upon State enabling legislation.
Interest rate and maturity.	Varies with the type of loan.
Subsidy costs	Fiscal year 1970, $14,020,000; fiscal year 1971, $9,780,000; fiscal year 1972, $18,970,000; fiscal year 1973, $105,900,000; fiscal year 1974, $25,610,000; fiscal year 1975, $20,550,000.

EXCESSIVE TAX AND LOAN ACCOUNT BALANCES

Administering agency	Department of the Treasury.
Identification	Authorization: Not available. Budget account: Not included in budget. CFDA: Not listed.
Objectives	The principal purpose of the system originally—to promote the smooth functioning of the economy by reducing the impact of Government financial operations on the distribution and level of bank reserves and on the money market—is still of major importance. The peaks and valleys in the timing of the flow of money between the public and the Government would be, without some device for smoothing them out or compensating for them, of sufficient magnitude to cause sharp changes in bank reserves resulting in undesirable fluctuations in money market interest rates and in the availability of loanable funds in the banking system. Treasury tax and loan accounts were devised to prevent these drastic swings. As taxes are paid and as banks subscribe for new issues of designated Treasury securities (for their own or customers' accounts), the funds are transferred on each bank's books from the payer's account to the Treasury's tax and loan account. The Treasury can then draw down the tax and loan balances as it actually needs funds to cover disbursements, thereby matching the flow of collections with the flow of payments, minimizing their impact on bank reserves and the money market.
Financial form	Benefits-in-kind.
Direct recipient	Private banks that hold these balances.
Subsidy costs	A study made by the Department of Treasury in June 1974 estimates that $300 million is representative of the annual cost.

U.S. POSTAL SERVICE

Administering agency	U.S. Postal Service.
Identification	Authorization: 39 U.S.C. 2101–2202, Postal Reorganization Act of 1970, Public Law 91–375. Budget account: 32–10–1001–0–1–505. CFDA: Not listed.
Objectives	The postal subsidy is intended to provide certain types of services at charges less than their costs. Congress has specifically authorized by legislation that certain classes of mail should be provided at reduced rates, for example, the cost of mail service to nonprofit organizations. Similarly, Congress has authorized the provision of special services and public service operations. Examples of these include collect-on-delivery and maintenance of postal facilities in rural areas too small to be self-supporting.
Financial form	Benefits-in-kind.
Direct recipient	Users of the postal services which are specifically subsidized and those authorized reduced rates.
Subsidy costs	Fiscal year 1970, $1,510,000,000; fiscal year 1971, $2,183,000,000; fiscal year 1972, $1,772,000,000; fiscal year 1973, $1,567,000,000; fiscal year 1974, $1,999,000,000; fiscal year 1975, $1,553,000,000.

SURPLUS LAND FOR COMMUNITY DEVELOPMENT

Administering agency	Community Planning and Development, Department of Housing and Urban Development.
Identification	Authorization: Title I of the Housing Act of 1949, section 108, Public Law 81–171, 63 Stat. 413, 414, 42 U.S.C. 1450; Housing and Urban Development Act of 1969, section 414, Public Law 91–152, 83 Stat. 404, 40 U.S.C. 484; Housing and Urban Development Act of 1970, sections 723, and 919, Public Law 91–609, 84 Stat. 1770, 1814. Budget account: 25–30–3980–0–4–551. CFDA: 14.211.
Objectives	To provide a national demonstration designed to create complete new communities and neighborhoods on surplus Federal land in urban areas. To demonstrate a joint public-private capability to create total new communities rather than simply more housing projects or residential subdivisions.
Financial form	Benefits-in-kind.
Direct recipient	City, county and State governments and nonpublic developers may apply.
Subsidy costs	No specific funds are made available for operation of this activity.